SIMTEK CORP
Form POS AM
December 18, 2001

As filed with the Securities and Exchange Commission on December 17, 2001

Registration 333-60492

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 1 TO FORM SB-2
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

SIMTEK CORPORATION
(Exact name of registrant as specified in its charter)

Colorado	84-1057605
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4250 Buckingham Dr. #100
Colorado Springs, Colorado 80907
(719) 531-9444
(Address, including zip code, and telephone number, including area code, of Principal Executive Offices)

Douglas M. Mitchell
Chief Executive Officer, President and Chief Financial Officer (acting)
Simtek Corporation
4250 Buckingham Dr. #100
Colorado Springs, CO 80907
(719) 531-9444
(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:
Garth B. Jensen, Esq.
Holme Roberts & Owen LLP
1700 Lincoln, Suite 4100
Denver, CO 80203
(303) 861-7000

Approximate Date of Commencement of Proposed Sale to the Public: From time to time after the effective date of this Registration Statement.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.[ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [X]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

If any of the securities being registered on this form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [X]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8 (A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

PROSPECTUS
1,810,123 Shares

SIMTEK CORPORATION

Common stock

This prospectus is being used to register 1,810,123 shares of Simtek Corporation's common stock being offered by thirty of our shareholders.

Our common stock is traded on the OTC Bulletin Board under the symbol "SRAM." On December 13, 2001, the closing sale price of our common stock was $0.37 per share.

SEE "RISK FACTORS" BEGINNING ON PAGE 4 TO READ ABOUT FACTORS YOU SHOULD CONSIDER

BEFORE BUYING OUR STOCK.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is December 17, 2001.

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SUMMARY

THIS SUMMARY HIGHLIGHTS SELECTED INFORMATION FROM THIS PROSPECTUS AND DOES NOT CONTAIN ALL OF THE INFORMATION THAT MAY BE IMPORTANT TO YOU. PLEASE CAREFULLY READ THE ENTIRE PROSPECTUS AND THE DOCUMENTS INCORPORATED BY REFERENCE.

INFORMATION ABOUT US AND OUR BUSINESS

We develop, market and subcontract the production of nonvolatile semiconductor memories and programmed semiconductor logic products. Nonvolatility prevents loss of programs and data when electrical power is removed from the semiconductor. Our memory products feature fast data access and programming speeds. Our logic products route electronic signals to perform tasks in electronic systems that use our products. All of our products are targeted for use in commercial or military electronic equipment markets. These markets are industrial control systems, office automation, medical instrumentation, telecommunication systems, cable television, and numerous military systems, including communications, radar, sonar and smart weapons.

Our principal executive office is located at 4250 Buckingham Dr. #100; Colorado Springs, Colorado 80907. Our telephone number is 719-531-9444.

THE SHARES

We are registering 1,810,123 shares of our common stock being offered for resale by thirty of our shareholders.

We will not receive any of the proceeds of the shares being sold by our shareholders.

SUMMARY FINANCIAL INFORMATION

	Year Ended December 31,		Nine Months End
	2000	1999	2001
Statement of Operations Data:			
Net revenues	$ 14,467,814	$ 11,168,624	$13,170,094
Total expenses	17,904,616	11,124,982	14,201,209
Operating income (loss)	(3,436,802)	43,642	(1,031,115)
Income (loss) before taxes	(3,540,342)	(90,526)	(980,819)
Net income (loss)	$ (3,540,342)	$ (122,926)	$ (980,819)
Net income (loss) per share:			
Basic	$ (.07)	$ *	$ (.02)
Diluted	$ *	$ *	$ (.02)

* Less than $.01 per share.

	Year Ended December 31, 2000	Nine M Septem
Balance Sheet Data:		
Cash and cash equivalents	$ 2,853,769	$
Working capital	4,046,107	
Total assets	7,287,985	
Shareholders' equity	4,924,205	

RISK FACTORS

YOU SHOULD CONSIDER CAREFULLY THE FOLLOWING RISK FACTORS, AS WELL AS THE OTHER INFORMATION IN THIS PROSPECTUS BEFORE BUYING OUR SHARES. THE SEMICONDUCTOR INDUSTRY IS CHANGING RAPIDLY. THEREFORE, THE FORWARD-LOOKING STATEMENTS AND STATEMENTS OF EXPECTATIONS, PLANS AND INTENT IN THIS PROSPECTUS ARE SUBJECT TO A GREATER DEGREE OF RISK THAN SIMILAR STATEMENTS REGARDING SOME OTHER INDUSTRIES.

OUR LIMITED OPERATING CAPITAL AND OUR ABILITY TO RAISE ADDITIONAL MONEY MAY HARM OUR ABILITY TO DEVELOP AND MARKET OUR PRODUCTS

To date, we have required significant capital for product development, subcontracted production and marketing. We have funded this from the sale of products, the sale of product and technology licenses and from royalties as well as from the sale of our convertible debt and equity securities.

We believe that if we are able to increase our product sales substantially and with continued positive gross margins, our cash requirements for the development, subcontracted production and marketing of our existing product families will be satisfied. We are not sure, however, whether we will be able to achieve this increase in product sales and continue our positive gross margins. We may need more capital in the next year and after that to develop new products. We are not sure that we will be able to raise more capital on reasonable terms, if at all. If we cannot, then we may not be able to develop and market new products. The development, subcontracted production and marketing of our existing products may also suffer.

WE MAY EXPERIENCE OPERATING LOSSES IN THE NEXT SEVERAL YEARS

We began business in 1987. Through September 30, 2001, we had accumulated losses of approximately $32.0 million. We realized net income for the first time for the year ended December 31, 1997 and continued to realize net income through June 30, 2000. However, through September 30, 2001, we realized a net loss primarily as a result of accounting charges from the purchase of incomplete research and development in September 2000. We may continue to experience net operating losses for the foreseeable future. Continuing net operating losses could materially harm our results of operations and increase our need for additional capital in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

BECAUSE OUR COMMON STOCK IS LISTED ONLY ON THE OTC ELECTRONIC BULLETIN BOARD IT WILL BE MORE DIFFICULT TO SELL OUR COMMON STOCK

Our common stock is listed on the OTC Electronic Bulletin Board under the symbol "SRAM." Our common stock was listed on the Nasdaq Small-Cap Market until July 18, 1995 but because we no longer met Nasdaq's listing requirements, we transferred to the OTC Electronic Bulletin Board as mandated by Nasdaq rules. We may not be able to meet the requirements for relisting our common stock on Nasdaq in the near future or in the longer term.

Securities that are not listed on the Nasdaq Small-Cap Market are subject to a Securities and Exchange Commission rule that imposes special requirements on broker-dealers who sell those securities to persons other than their established customers and accredited investors. The broker-dealer must determine that the security is suitable for the purchaser and must obtain the purchaser's written consent prior to the sale. These requirements may make it more difficult for our security holders to sell their securities and may affect our ability to raise more capital.

SINCE WE DEPEND GREATLY ON SUBCONTRACTORS, THEIR POOR PERFORMANCE COULD HURT OUR OPERATIONS

We subcontract the silicon wafer processing, product assembly, and product testing portions of our business to independent companies. Our operating results depend on these subcontractors' ability to supply us with silicon wafers that

meet our specifications and to assemble and test enough of our products to meet our customers' needs.

Currently, we depend on Chartered Semiconductor Manufacturing Plc. of Singapore to manufacture all of our silicon wafers for our 0.8 micron memory products and 0.35 micron logic products, which account for collectively approximately 86% of our total products. We depend on United Microelectronics Group of Taiwan to manufacture all of our silicon wafers for our 0.5 micron logic products, which account for approximately 5% of our total products. These wafers are the raw materials required to manufacture our semiconductor products. Without these wafers, we would be unable to sell our products. If Chartered Semiconductor Manufacturing or United Microelectronics Group is unable to meet our silicon wafer needs on time and at a price that we find acceptable, we would have to find other wafer manufacturers. If we cannot find other suppliers, manufacturers or assemblers on acceptable terms, we may not be profitable. In addition, our subcontractors must be audited and recertified by us on a regular basis for us to continue to produce military-qualified products. We cannot assure you that we will be able to complete this recertification successfully or in a timely manner.

WE DO NOT HAVE A CURRENT MANUFACTURING AGREEMENT WITH CHARTERED SEMICONDUCTOR MANUFACTURING WHICH MAY LIMIT OUR ABILITY TO PURCHASE RAW MATERIALS

Our current manufacturing agreement with Chartered Semiconductor Manufacturing has expired. Under our old agreement, we had the right to purchase up to 600 six-inch silicon wafers per month from Chartered Semiconductor Manufacturing's facility in Singapore. If we are unable to renew our agreement

with Chartered Semiconductor Manufacturing or the limit on wafers that we can purchase from it is not increased, we may be limited in the number of semiconductors that we can sell, unless we are able to acquire a sufficient quantity from our other supplier. About 71% of our product sales for the year ended December 31, 2000 were based on wafers purchased from Chartered Semiconductor Manufacturing.

THE UNCERTAINTY INVOLVED IN MANUFACTURING SEMICONDUCTORS MAY INCREASE THE COSTS AND DECREASE THE PRODUCTION OF OUR PRODUCTS

In order for us to be profitable, we must keep our manufacturing costs down and secure the production of sufficient product. Semiconductor manufacturing depends on many factors that are very complex and beyond our control and often beyond the control of our subcontractors. These factors include contaminates in the manufacturing environment, impurities in the raw materials used and equipment malfunctions. Under our arrangements with our subcontractors, they pass on to us substantially all of their costs that are unique to the manufacture of our products. Accordingly, these factors could increase the cost of manufacturing our products and decrease our profits. These factors could also reduce the number of semiconductors that our subcontractors are able to make in a production run. If our subcontractors produce fewer of our products, our revenues may decline.

DELAYS IN MANUFACTURING MAY NEGATIVELY IMPACT REVENUE AND NET INCOME

It takes approximately three months for us to manufacture our semiconductors. Any delays in receiving silicon wafers from our subcontractors will delay our ability to deliver our products to customers. This would delay sales revenue and could cause our customers to cancel existing orders or not place future orders. In addition, if we are not able to make all of our planned semiconductors in a production run this could delay delivery of our products. These delays could occur at any time and would affect our net income.

WE DEPEND ON INDEPENDENT SALES REPRESENTATIVES AND DISTRIBUTORS TO SELL OUR PRODUCTS AND THE TERMINATION OF ANY OF THESE RELATIONSHIPS MAY HARM OUR REVENUE

We use independent sales representatives and distributors to sell the majority of our products. The agreements with these sales representatives and distributors can be terminated without cause by either party with only 30 to 90 days written notice. If one or more of our sales representatives or distributors terminates our relationship, we may not be able to find replacement sales representatives and distributors on acceptable terms or at all. This would affect our profitability. In addition, during 2000, approximately 47% of our

product sales were to two distributors and one direct customer. We are not sure that we will be able to maintain our relationship with these distributors.

DELAYS IN OR FAILURE OF PRODUCT QUALIFICATION MAY HARM OUR BUSINESS

Prior to selling a product, we must establish that it meets expected performance and reliability standards. As part of this testing process, known as product qualification, we subject representative samples of products to a variety of tests to ensure that performance in accordance with commercial, industrial and military specifications. If we are unable to successfully accomplish product qualification for our future products, we will be unable to sell these future products. Even with successful initial product qualifications,

we cannot be assured that we will be able to maintain product qualification or achieve sufficient sales to meet our operating requirements.

SINCE THE SEMICONDUCTOR INDUSTRY IS FAST CHANGING, OUR SUCCESS DEPENDS ON OUR ABILITY TO INTRODUCE NEW PRODUCTS

The semiconductor industry is characterized by rapid changes in technology and product obsolescence. Our success in the semiconductor industry depends in part upon our ability to expand our existing product families and to develop and market new products. The technology we currently use may be made obsolete by other competing or newly developed memory technologies. The development of new semiconductor designs and technologies typically requires substantial costs for research and development. Even if we are able to develop new products, the success of each new product depends on several factors including whether we selected the proper product and our ability to introduce it at the right time, whether the product is able to achieve acceptable production yields and whether the market accepts the new product. We cannot guarantee you that we will be successful in developing new products or whether any products that we do develop will satisfy the above factors.

THE CYCLICALITY OF THE SEMICONDUCTOR INDUSTRY MAY PREVENT US FROM MAINTAINING A CONSISTENT REVENUE STREAM AND MAY HARM OUR STOCK PRICE

The semiconductor industry has historically experienced significant peaks and valleys in sales volumes resulting in large variations of revenues and resulting profits or losses. We do not have direct influence on the nature of the broad semiconductor market. Variations in the revenues and profits within the semiconductor industry may cause us significant losses in the future. If the stock prices of many semiconductor companies decrease, our stock price may also suffer. Recently, the semiconductor industry has experienced increased losses and the stock prices of many semiconductor companies, including us, have suffered.

OUR RECENT PURCHASE OF INCOMPLETE RESEARCH AND DEVELOPMENT MAY RESULT IN SIGNIFICANT EXPENDITURES

In an effort to expand our products, we recently acquired incomplete research and development products from WebGear, Inc. We believe that the incomplete research and development we acquired should enable us to enter the wireless data communication market being developed under the "Bluetooth" trademark. "Bluetooth" is a new industry standard for wireless data communication developed by a consortium of electronic industry partners. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations." If this technology is successful in establishing wide spread use it may create sales opportunities for component suppliers. We expect to spend approximately $250,000 to bring products to this wireless market. However, we cannot assure you that we will be able, or have sufficient operating capital, to enter this market. See "-- Our Limited Operating Capital and Our Ability to Raise Money May Harm Our Ability to Develop and Market Our Products."

THE INTENSE COMPETITION IN THE SEMICONDUCTOR INDUSTRY MAY CAUSE US TO LOSE SALES REVENUE TO OTHER SUPPLIERS

There is intense competition in the semiconductor industry. We experience competition from a number of domestic and foreign companies, most of which have significantly greater financial, technical, manufacturing and marketing resources than we have. Our competitors include major corporations with worldwide silicon wafer fabrication facilities and circuit production facilities and diverse, established product lines. We also compete with emerging companies

attempting to obtain a share of the market for our product families. If any of our new products achieve market acceptance, other companies may sell competitive products at prices below ours. This would have an adverse effect on our operating results. We have sold product and technology licenses to Zentrum Mikroelektronik Dresden. We have granted this company unlimited rights to much of our technology through its license agreements with us. Zentrum Mikroelektronik Dresden has entered the market and may become one of our significant competitors.

GIVEN THE SCARCITY OF TRAINED PERSONNEL IN THE SEMICONDUCTOR INDUSTRY, THE LOSS OF KEY EMPLOYEES COULD MATERIALLY AFFECT OUR FINANCIAL RESULTS

Our success depends in large part on our ability to attract and retain qualified technical and management personnel. There are limited personnel trained in the semiconductor industry resulting in intense competition for these personnel. If we lose any of our key personnel, this could have a material adverse affect on our ability to conduct our business and on our financial results.

OUR PATENTS MAY NOT PROVIDE US EFFECTIVE INTELLECTUAL PROPERTY PROTECTION; THIS COULD HARM OUR BUSINESS

We have been issued 25 U.S. patents relating to specific aspects of our current products and we have four applications pending. We have also applied outside the United States for patents on our technology. We plan to continue to protect our intellectual property. We are not sure that any of the patents for which we have applied will be issued or, even if they are issued, will provide us with meaningful protection from competition. We may also not have the money required to maintain or enforce our patent rights. Notwithstanding our patents, other companies may obtain patents similar or relating to our patents.

We seek to protect a significant portion of our intellectual property as trade secrets, rather than patents. Unlike patents, trade secrets must remain confidential in order to retain protection as proprietary intellectual property. We cannot assure you that our trade secrets will remain confidential. If we lose trade secret protection, our business could suffer.

IF OUR PRODUCTS AND TECHNOLOGY INFRINGE ON THIRD PARTY PATENTS, OUR PRODUCT SALES MAY SUFFER

We have not determined whether our products are free from infringement of others' patents. If patent infringement claims are asserted against us and are upheld, we will try to modify our products so they are non- infringing. If we are unable to do so, we will have to obtain a license to sell those products or stop selling the products for which the claims are asserted. We may not be able to obtain the required licenses. Any successful infringement claim against us, our failure to obtain any required license or requirement for us to stop selling any of our products, may force us to discontinue production and shipment of these products. This may result in reduced product sales and harm our revenues.

We were notified of possible patent infringement by one company in December of 1989. After reviewing the related patents we responded in the same month with a position that our products were still under development, but that the analysis revealed no infringement. There was no further response from this company. In January of 1991 a second company sent us a package of nonvolatile memory and

other memory patents for review to evaluate for any possible infringement and to seek licenses as appropriate. Our internal evaluation determined that there were no obvious infringements requiring the pursuit of licenses from this company. In both cases we believe that there are no definitive claims for infringement against our products, so no further actions have been taken, although there has not been direct recognition of this position by the other parties. However, we cannot assure you that these companies will not assert patent infringement claims against us in the future.

In 1998, we received notice of a claim for an unspecified amount from a foundation that owns approximately 180 patents and 70 pending applications. The foundation claimed that some of the machines and processes used in the building of our semiconductor devices infringe on the foundation's patents. In April 1999, we reached an agreement with the foundation for us to purchase a nonexclusive license of the foundation's patents, based on our product offerings

and sales forecast at that time. If our products or actual sales revenue vary significantly from the time of the agreement, we may be subject to additional payments.

FOREIGN CURRENCY EXCHANGE RATE FLUCTUATIONS MAY INCREASE OUR COSTS, LOWER OUR REVENUES AND CAUSE LOSS OF CUSTOMERS TO OUR COMPETITORS

We purchase materials, including silicon wafers, from outside the United States. In 2000, over 57% of our sales were to customers located outside of the United States. We operate using United States dollars as the functional currency. Changes in foreign currency exchange rates can reduce our revenues and increase our costs. For example, our subcontractors may increase the prices they charge us, on a per purchase order basis, for silicon wafers if the United States dollar weakens. Any large exchange rate fluctuation could affect our ability to compete with manufacturers who operate using foreign currencies. We do not try to reduce our exposure to these exchange rate risks by using hedging transactions. Although we have not had any material losses due to exchange rate fluctuations over the last three years, we cannot assure you that we will not incur significant losses in the future.

BECAUSE WE DO NOT INTEND TO PAY DIVIDENDS IN THE FORESEEABLE FUTURE, YOUR INVESTMENT RETURN MAY BE LIMITED

We have never paid cash dividends on our common stock. We do not expect to pay dividends in the foreseeable future. We intend to use any earnings to finance growth. You should not expect to receive dividends on your shares of common stock.

IF OUR BOARD OF DIRECTORS AUTHORIZES THE ISSUANCE OF PREFERRED STOCK, HOLDERS OF OUR COMMON STOCK COULD BE DILUTED AND HARMED

Our board of directors has the authority to issue up to 2,000,000 shares of preferred stock in one or more series and to establish the preferred stock's voting powers, preferences and other rights and qualifications without any further vote or action by the shareholders. The issuance of preferred stock by our board of directors could dilute and harm the rights of the holders of our common stock. It could potentially be used to discourage attempts by others to obtain control of us through merger, tender offer, proxy contest or otherwise by making such attempts more difficult to achieve or more costly. Our board of directors has no specific intention to issue shares of preferred stock, but given our present capital requirements, it is possible that we may need to raise

capital through the sale of preferred stock in the future.

OUR FAILURE TO HOLD ANNUAL SHAREHOLDERS' MEETINGS TO RE-ELECT OFFICERS LIMITS OUR SHAREHOLDERS' CONTROL OVER MANAGEMENT

Since 1991, we have held only three annual shareholders' meetings at which shareholders elect directors. We have had some special shareholders meetings at which shareholders have voted on matters other than the election of directors. Our shareholders last elected directors on June 30, 1994. We have not held more meetings to elect directors primarily due to the costs associated with having the meetings. If we want to hold a meeting to elect directors, we must print and mail to each shareholder prior to the meeting an annual report. Based on the number of our shareholders, the printing and mailing cost would be approximately $30,000. If you would like to nominate directors for election, you would have to solicit proxy materials for an annual meeting we hold or request that we hold a special shareholders meeting. Under our bylaws, special meetings of our shareholders must be called by our president at the request of holders of not less than one-tenth of all of our outstanding shares entitled to vote at the meeting. Since we currently have outstanding 53,728,245 shares of common stock, holders of at least 5,372,825 shares of our common stock must request a special meeting in order for such shareholders to effect a meeting. At this time, we are unsure of when we will hold our next annual meeting to elect directors. The infrequent annual shareholders' meetings limits the ability of shareholders to elect new members to the board of directors and to change our management.

USE OF PROCEEDS

We will receive no proceeds from the sale of shares by our shareholders.

CAPITALIZATION

The following table shows our capitalization at September 30, 2001.

Treasury stock, 10,000 shares	$ (12,504)
Preferred stock, $1.00 par value, 2,000,000 shares authorized, none issued and outstanding	0
Common stock, $0.01 par value, 80,000,000 shares authorized, 53,728,245 issued and outstanding	537,282
Additional paid in capital	37,509,725
Accumulated deficit as of September 30, 2001	(33,360,113)
Shareholders' equity	$ 4,674,390

MARKET FOR OUR COMMON STOCK AND RELATED SECURITY HOLDER MATTERS

Our common stock is listed on the OTC Electronic Bulletin Board under the symbol "SRAM". Securities not included in the Nasdaq Small-CAP Market are covered by the Commission rule that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally institutions with assets in excess of $5,000,000 or individuals with net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse). For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell our securities, which will have an adverse effect on the ability of our security holders to sell their securities and the possibility of our ability to raise additional capital.

Shown below is the closing high bid and the closing low offer as reported by the OTC Electronic Bulletin Board on the last day of the quarter.

	Common Stock	
	High Bid	Low Offer
1998		
First Quarter	.4062	.3594
Second Quarter	.3594	.3125
Third Quarter	.2344	.2188
Fourth Quarter	.1562	.1406
1999		
First Quarter	.1875	.1875
Second Quarter	.2188	.2031
Third Quarter	.1562	.1562
Fourth Quarter	.2812	.2656
2000		
First Quarter	2.875	2.25
Second Quarter	1.5313	1.375
Third Quarter	.9688	.8438
Fourth Quarter	.3594	.2969
2001		
First Quarter	.7344	.6562
Second Quarter	.55	.49
Third Quarter	.37	.33
Fourth Quarter (through December 13, 2001)	.37	.35

The quotations listed above reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

As of December 31, 2000, there were 379 shareholders of record, not including shareholders who beneficially own common stock held in nominee or

"street name."

We have not paid any dividends on our common stock since inception and we do not intend to pay any in the foreseeable future.

SELECTED FINANCIAL DATA

The statements of operations for the years ended December 31, 2000 and 1999 and the balance sheet data as of December 31, 2000 have been derived from the financial statements that have been audited by Hein + Associates LLP, independent auditors. The balance sheet as of September 30, 2001 and the statements of operations for the nine months ended September 30, 2001 and 2000 are unaudited. In our opinion, these financial statements include all adjustments necessary for the fair presentation of the financial position as of September 30, 2001 and statements of operations for the nine months ended September 30, 2001 and 2000. The balance sheet as of September 30, 2001 and the statements of operations for the nine months ended September 30, 2001 and 2000 were prepared on a consistent basis with our year end financial information. The balance sheet as of December 31, 2000 has been audited by Hein + Associates LLP. This financial data should be read in conjunction with our financial statements and the notes thereto included elsewhere in this prospectus and "Management's Discussion and Analysis of Results of Operations and Financial Condition."

	For the Years Ended December 31,		Nine mo
	2000	1999	2
Statement of Operations Data:			
Net Sales	$ 14,467,814	$ 11,168,624	$ 13,1
Cost of Sales	8,423,529	6,172,643	9,0
Gross Margin	6,044,285	4,995,981	4,0
Operating Expenses:			
Design, research and development	6,158,189	2,240,273	2,0
Administrative	2,152,593	1,793,424	1,7
Marketing	1,170,305	918,642	1,2
Total Operating Expenses	9,481,087	4,952,339	5,1
Other income (expense), net	91,122	(81,654)	
Equity in losses of QDA and write off of related advances	(194,662)	(52,514)	
Net income (loss) before taxes	(3,540,342)	(90,526)	$ (9
Provision for income taxes	-	32,400	
Net income (loss)	$ (3,540,342)	$ (122,926)	$ (9
Net income (loss) per common share:			
Diluted	$ (.07)	$ *	$
Basic	$ *	$ *	$
Weighted average common shares outstanding:			

Basic	48,337,167	38,345,697	53,6
Diluted	48,337,167	38,345,697	53,6

* Less than $.01 per share.

	Year Ended December 31, 2000
Balance Sheet Data:	
Working capital	$ 4,046,107
Total assets	7,287,985
Shareholders' equity	$ 4,924,205

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW OF ACQUISITIONS AND OTHER TRANSACTIONS

During 2000 and the first quarter of 2001, we made several acquisitions of high technology companies, some of which we have accounted for as a pooling of interests.

On May 9, 2000, we acquired Integrated Logic Systems, Inc. We issued 3,000,000 shares of our common stock in exchange for all outstanding shares of all classes of Integrated Logic Systems stock. Integrated Logic Systems designs and sells programmed semiconductor logic products. We purchased approximately $30,000 of product from Integrated Logic Systems in the year preceding the acquisition. The acquisition was accounted for as a pooling of interest, and the results of Integrated Logic Systems have been consolidated with our results, as if we have been merged throughout the periods presented.

On June 16, 2000, we acquired 1,875,000 shares of the common stock of WebGear in return for 1,250,000 shares of our common stock. On September 29, 2000, we purchased incomplete research and development, patents and trademarks from WebGear and entered into an agreement to purchase at preferential rates new products developed from the patents and related technology. This agreement provided for WebGear to pay us approximately $600,000 over a 12-month period. The original contract price for the incomplete research and development totaled 1,875,000 shares of WebGear stock plus 3,400,000 shares of our common stock of which 500,000 were held in escrow based on WebGear fulfilling all obligations under the contract. In December 2000, WebGear defaulted on its payment obligations under the preferential rate purchase agreement, thus forcing them to relinquish the 500,000 escrow shares of our common stock which reduced the shares issued to 2,900,000 of our common stock.

On July 31, 2000, we acquired Macrotech Semiconductor. We issued 1,250,000 shares of our common stock in exchange for all outstanding shares of all classes of Macrotech Semiconductor stock. Macrotech Semiconductor designs and sells programmed semiconductor logic products, which are an extension of the

programmed semiconductor logic products that Integrated Logic Systems manufactures. The acquisition was accounted for as a pooling of interest, and the results of Macrotech Semiconductor have been consolidated with ours, as if we have been merged throughout the periods presented.

On September 14, 2000, we entered into a one-year contract with two investment bankers, E.B.M. Associates, Inc. and World Trade Partners. Each company has received 500,000 shares of our common stock. Both companies will assist us in broadening our financial market presence and establishing new relationships within the industry, investment community and financial media, by arranging meetings for our management with industry analysts, presenting company profiles to analysts and brokerage firms, mailings and personal communication with investors. E.B.M. Associates supports these activities primarily in retail investment markets, while World Trade Partners supports these activities primarily in institutional markets. E.B.M. Associates and World Trade Partners cooperate to coordinate their activities. On September 14, 2000, the closing share price for our common stock was $ 1.0312 per share and accordingly $1,031,000 has been assigned to prepaid investor relations. The cost associated with this transaction is being amortized over the life of the contract. Approximately $301,000 was expensed in 2000. The balance will be expensed over the term of the contract, ending in the third quarter of 2001.

On September 29, 2000, we purchased incomplete research and development, patents and trademarks from WebGear. The incomplete research and development consists of hardware and software developed for wireless data communications, that needs to be modified for use with the Bluetooth technology standard. See "Risk Factors-Our Recent Purchase of Incomplete Research and Development May Result in Significant Expenditures." We originally issued 3,400,000 shares of our common stock which was amended in December 2000 to 2,900,000. We also returned to WebGear the 1,875,000 shares of WebGear common stock that we acquired from WebGear on June 16, 2000. On September 29, 2000, the closing price of our common stock was $0.8438 per share. We have valued the purchased patents and trademarks at $125,000, which was capitalized and recorded as intangible assets. We have valued the incomplete research and development acquired from WebGear at $3,962,646, which was expensed immediately.

On December 6, 2000, we signed a letter of intent to acquire Q-DOT Group, Inc. The merger was completed on March 14, 2001. We acquired Q-DOT Group in exchange for approximately 5,171,731 shares of our common stock, valued at $4,000,000 based on a twenty day average share closing price of approximately $0.77. One of the Q-DOT Group subsidiaries, specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications. Q-DOT Group's projects have been supported by "conventional" government and commercial contracts in addition to government contacts sponsored by the Small Business Innovation Research program. Independent government agencies, such as the Department of the Army, Department of the Navy and Department of the Air Force may award contracts directly, or "conventionally," or may award contracts through the Small Business Innovation Research program. The Small Business Innovation Research program is a Department of Defense program that funds early-stage research projects at small technology companies. We operate our Q-DOT Group's government contract research and development operations as a wholly owned subsidiary of us. The acquisition was accounted for as a pooling of interest, and the results of Q-DOT Group are consolidated with ours in our financials as if we have been merged throughout the periods. Q-DOT Group held a 1% membership interest in QD Acoustics, LLC. QD Acoustics specializes in high performance semiconductor applications for sonar

and medical imaging products such as ultrasound equipment. We do not expect that our ownership interest in QD Acoustics will be material to our business.

RESULTS OF OPERATIONS

GENERAL. We have designed and developed nonvolatile semiconductor products since we commenced business operations in May 1987. We have concentrated on the design and development of our nonvolatile semiconductor memory product families and technologies, marketing, distribution channels, and sources of supply, including production at subcontractors. With the acquisition of Integrated Logic Systems and Macrotech Semiconductor, we have added the capability to design, develop and produce gate array integrated circuits, or our logic products.

Our business was founded on a specialized technology that supported development of nonvolatile semiconductor memories. We developed our current memory products out of this technology. This single product family does not allow growth into a broad range of applications. Therefore, in an effort to expand our products, we acquired from WebGear incomplete research and development of technology that we intend to apply within the emerging Bluetooth market segment. "Bluetooth" is an industry standard, short range wireless communications technology designed to allow a variety of electronic devices, such as wireless telephones, Personal Digital Assistants, notebook computers, desktop computers, peripheral input-output devices, television set-top boxes and Internet appliances to exchange data without the use of physical cabling. See "Risk Factors-Our Recent Purchase of Incomplete Research and Development May Result in Significant Expenditures."

We anticipate that our acquisition of Q-DOT Group will enable us to enter the high speed data communications market, addressing both wired and wireless applications, based on advanced "Silicon Germanium" process technology. Silicon Germanium is rapidly becoming the technology of choice for many analog, mixed signal and high speed digital circuits.

In September 1991, we began the sale of our commercially qualified 64 kilobit nonvolatile semiconductor memory products based on a 1.2 micron process technology. The 1 micron process technology is manufactured with spacing between design elements of approximately one millionth of one meter. Generally speaking, the smaller the spacing between design elements, the less expensive the production cost of our memory products. Accordingly, we generally try to design with lower micron technology. Kilobits are a measure of the amount of data that can be stored. More kilobits imply more storage.

After initial qualification of our first product in 1991, we began expanding the 64 kilobit nonvolatile semiconductor memory product family. By the end of 1993, we had qualified the complete product family for commercial, industrial and military markets and had commenced sales of these products. When we say we "qualify" a product, we mean that our internal quality organization confirms the product's performance to the product's data sheet and accepted industry standards. Commercial products operate from 0 degrees to 70 degrees Centigrade, industrial products from -40 degrees to 85 degrees Centigrade and

military products from -55 degrees to 125 degrees Centigrade. Specific customers require different temperatures for their applications. During 1995, we developed our 64 kilobit nonvolatile semiconductor memory products based on a 0.8 micron process technology. Qualification of this product occurred in 1996. In late 1996

and into 1997, we, along with assistance from Zentrum Mikroelektronik Dresden, completed the design, installation and qualification of our 256 kilobit nonvolatile semiconductor memory product based on 0.8 micron process technology into Zentrum Mikroelektronik Dresden's silicon wafer fabrication facility. In 1997, we installed the 256 kilobit nonvolatile semiconductor memory product built on 0.8 micron process technology in Chartered Semiconductor Manufacturing's silicon wafer fabrication facility. Qualification of this product for use in the commercial and industrial market occurred in 1997 and qualification for use in the military market occurred in the second quarter of 1998. In the fourth quarter 1997, we qualified the 64 kilobit nonvolatile semiconductor memory product built on 0.8 micron process technology for sale in the commercial and industrial market. Our programmed semiconductor logic products are supported with silicon wafers, built on 0.5 micron process technology, purchased from United Microelectronics and silicon wafers purchased from Chartered Semiconductor Manufacturing built on a 0.35 micron process technology. Products manufactured with smaller spacing generally support lower product costs by reducing the amount of raw material required for the product. Sales of products built on wafers purchased from Chartered Semiconductor Manufacturing and United Microelectronics accounted for all of our semiconductor product sales revenue for 2000.

NINE MONTHS SEPTEMBER 30, 2001 AND 2000. During the nine months ended September 30, 2001, we purchased our silicon wafers from Chartered Semiconductor Manufacturing to support the sales of our nonvolatile semiconductor memory products. Sales of our programmed semiconductor logic products were supported by silicon wafers purchased from United Microelectronics.

We recorded net sales of $13,170,094 for the nine months ended September 30, 2001 up from $11,097,168 recorded for the nine months ended September 30, 2000. Product sales from our 4 kilobit, 16 kilobit, 64 kilobit and 256 kilobit nonvolatile semiconductor memory products were $11,384,857 and $8,139,408 for the nine months ended September 30, 2001 and 2000, respectively. The increase in sales was due primarily to an increase in large customers, worldwide, placing production orders of our products. One distributor of our nonvolatile semiconductor memory products and two direct customers accounted for approximately 48% of our net product sales for the nine months ended September 30, 2001. Products sold to distributors are re-sold to various end customers. The revenue generated from the sale of our logic products was $668,854 and $1,081,364 for the nine months ended September 30, 2001 and 2000, respectively. This decrease was due to the completion of production contracts in 2000 and the internal activities focusing on integration of the logic business into our operations. The revenue generated from research and development contracts acquired in the Q-DOT merger was $1,116,383 and $1,876,396 for the nine months ended September 2001 and 2000, respectively. This decrease was primarily due to reduced billing rates against government contracts due to employee attrition.

We saw a decrease of approximately 9% in our gross margin percentages for the nine months ended September 30, 2001 as compared to September 30, 2000. This decrease was due to an increase in the cost of the silicon wafers required to produce our products. In March 2001, we were able to negotiate better pricing from the supplier who produces our silicon wafers and from our test subcontractor. In late September 2001, we saw a decrease in costs of our products and we believe that these cost reduction measures may have a positive impact on the gross margins beginning in the fourth quarter of 2001.

Total operating expenses saw a decrease of approximately $2,875,000 in the nine months ended September 30, 2001 as compared to the nine months ended September 30, 2000. Research and development saw an approximate decrease of $4,044,000 primarily due to an approximate cost of $4,385,000 that occurred in September 2000 which was related to the issuance of stock to WebGear for the purchase of Bluetooth technology. The balance of the decrease was related to an

increase of approximately $372,000 for payroll and payroll overhead costs, an increase of $47,000 for supplies and a decrease in lease commitment payments of approximately $78,000. Administration saw an increase of approximately $257,000, primarily due to an approximate $274,000 increase in legal and audit fees related to the acquisition of Q-DOT and securities work and a decrease in contract services of approximately $17,000. Sales and marketing saw an approximate $225,000 increase due primarily in an approximate increase in payroll and payroll overhead costs of $110,000, an approximate increase of $115,000 related to sales commissions to independent sales representatives as a

direct result of revenue. The $687,000 increase in prepaid investor relations was related to the amortization of the shares of stock issued in September 2000, to two investment banker firms in return for services.

We recorded a net loss of $980,819 and $3,572,890 for the nine months ended September 30, 2001 and 2000, respectively. The decrease in net losses was due primarily to a decrease in operating expenses.

REVIEW OF 2000 OPERATIONS. Total sales for 2000 were $14,467,814. $12,150,750 was directly related to the sale of our semiconductor memories and $2,317,064 was related to revenue generated from our research and development contracts. Our product sales could have been greater if not for a shortage in the second half of 2000 of the wafers required to produce our nonvolatile semiconductor memory products. During 2000, total market demand exceeded Chartered Semiconductor Manufacturing's ability to supply silicon wafers to many of its customers. This condition persisted through 2000 limiting our raw materials supplies, but has improved in 2001 as total market demand has decreased. We believe that the lack of a long term contract with Chartered Semiconductor Manufacturing may have impacted our ability to receive silicon wafers because a long term contract could have obligated Chartered Semiconductor Manufacturing to provide us with silicon wafers. We did see an increase in volume production orders in 2000, which caused an increase in unit shipments and a slightly overall lower average selling price as compared to 1999. Sales of our 4 kilobit and 16 kilobit products decreased in 2000 by approximately 9% over 1999. This decrease was due to customers using higher density parts in their applications. Sales, based on dollar revenues, of our 64 kilobit and 256 kilobit commercial products saw an increase in 2000 by approximately 63% and 145%, respectively. These increases were due to larger production volume orders, or orders of high volume manufacturing of systems, targeted at competitive growth markets being placed in 2000 as compared to 1999. Sales of our 64 kilobit high-end industrial and military market saw a slight increase of 3% in 2000, while our 256 kilobit high-end industrial and military market saw a decrease in 2000 of approximately 65% as compared to 1999. This decrease was due to a decrease in defense contracts in 2000 resulting from federal policies which reduced production of defense systems using our products. We believe that future defense spending will increase to historic levels as a result of policy changes within the new administration, but it remains unclear when this will occur. Sales of our logic products saw an increase of approximately 79% in 2000 as compared to 1999. This increase was due primarily to increased product demand generated by our increased sales activities. The revenue generated from research and development contracts acquired in the Q-DOT Group merger decreased approximately 35%. This decrease was primarily due to reduced billing rates against government contracts which was a direct result of employee attrition.

With the return of production volume orders being placed for our

nonvolatile semiconductor commercial memory products and an increase in competition, we saw a decrease in our overall average selling prices as compared to 1999. These orders reflect high volume manufacturing of systems targeted at competitive growth markets. However, with this decrease, we saw an increase in unit shipments for 2000 as compared to 1999 of approximately 6%, 56%, 178% and 76% for our 16 kilobit, 64 kilobit, 256 kilobit, and logic commercial products, respectively. Our 256 kilobit high-end industrial and military products saw a decrease of approximately 55% in unit shipments.

Due to the decrease in high-end industrial and military sales, we had an approximate 3% decrease in our gross margins for 2000 as compared to 1999.

YEARS ENDED DECEMBER 31, 2000 AND 1999. Our net sales for 2000 totaled $14,467,814 compared to $11,168,624 in 1999. $12,150,750 was directly related to the sale of our semiconductor memories and $2,317,064 was related to revenue generated from our research and development contracts. The increase in net product sales for the year ended December 31, 2000 was due primarily to increased volume production orders in the Far East and North America. During 2000, sales of our 64 kilobit and 256 kilobit nonvolatile semiconductor memory military products accounted for approximately 12% of our sales, while 64 kilobit and 256 kilobit commercial and industrial nonvolatile semiconductor memory products accounted for approximately 34% and 25% of sales in 2000 and 1999, respectively. Sales of our programmed semiconductor logic products account for approximately 9% of our sales. Revenue from research and development contracts accounted for approximately 15% of our sales. Sales of our 4 kilobit and 16 kilobit nonvolatile semiconductor memory products accounted for the balance of the sales in 2000. Two distributors and one direct customer of our nonvolatile

semiconductor memory products accounted for approximately 42% of our net product sales for the year ended December 31, 2000. Products sold to distributors are resold to a larger number of system manufacturers.

The increase in net loss in 2000 is primarily the result of expensing approximately $3,963,000 of purchased incomplete research and development from WebGear. We realized a positive gross margin of $6,044,285 in 2000 compared to $4,995,981 in 1999 for percentages of 42% and 45%, respectively.

Operating expenses were approximately $4,500,000 more for the year ended December 31, 2000 than for the year ended December 31, 1999. The largest part of this increase, was related to research and development which had an approximate $3,900,000 increase. Of the approximate $3,900,000 increase, approximately $3,963,000 was due to the issuance of stock to WebGear for the purchase of their Bluetooth technology, an approximate $100,000 decrease in indirect costs related to our research and development contracts which was related to a decrease headcount, an approximate $100,000 increase in headcount additions, an approximate $18,000 increase in depreciation and an approximate decrease of $55,000, $14,000 and $12,000 related to product development, legal fees and repairs and maintenance, respectively. The increase in headcount was due to the addition of engineers required to develop the programmed semiconductor logic products, the decrease in product development was due to a reduction in development costs assigned to processing silicon wafers for development of a higher density version of our nonvolatile semiconductor memory products. The next largest increase of approximately $360,000 was in general and administration. Of the approximate $360,000 increase, approximately $301,000 was related to the amortization of the issuance of 1,000,000 shares of stock to two

investment banker firms in September 2000 for services performed by us. Approximately $157,000 was related to increased legal and approximately $80,000 was related to audit fees incurred with the acquisitions of Integrated Logic Systems, Macrotech Semiconductor and Q-DOT Group, and the purchase of Bluetooth technology from WebGear. The remaining decrease of $178,000 was the net effect of a $300,000 decrease in payroll and benefits costs related to the administration of our government contracts and increase in payroll and benefits costs resulting from the addition of one employee, pay rate raises and bonuses for the administration of our semiconductor products. The decrease in payroll and benefits for our government contract business was due to the reduction in the amount of administrative employees. Sales and marketing saw an approximate $250,000 increase, primarily due to approximately $186,000 paid in sales commission to our independent sales representatives as a direct result of our increased revenue and an approximately $64,000 increase due to the addition of one employee.

Other expense for the year ended December 31, 2000 decreased by approximately $30,000 as compared to December 31, 1999. This decrease was primarily due to an approximate $142,000 increase in funding to QD Acoustics, LLC which is offset with an approximate $95,000 decrease in interest expense and an approximate increase of $69,000 in interest income. Prior to March 14, 2001, Q-DOT Group had effective control over QD Acoustics pursuant to QD Acoustics' operating agreement. We ceased funding QD Acoustics and have no obligation to fund QD Acoustics.

We had a net loss of $3,540,342 for the year ended December 31, 2000 compared to a net loss of $122,926 for the year ended December 31, 1999.

FUTURE RESULTS OF OPERATIONS

Our ability to maintain profitability will depend primarily on our ability to continue reducing our manufacturing costs and increasing net product sales by improving the availability of existing products, by the introduction of new products and by expanding our customer base.

In October 2001, we entered into an agreement with Amkor Technology Inc. ("Amkor") to cooperate to develop a semiconductor process module that combines our nonvolatile technology with Amkor's advanced 0.25 micron Digital CMOS fabrication line. The module will incorporate Silicon Oxide Nitride Oxide Silicon technology, which will be used to manufacture both High Density Silicon Oxide Nitride Oxide Silicon Flash and nonvolatile semiconductor memories, for stand alone and embedded products. The co-development program is scheduled to yield qualified shipments in approximately 12 months, with a 1 megabit 3.0 volt non volatile semiconductor memory as the primary development vehicle.

As of September 30, 2001, we had a backlog of unshipped customer orders of approximately $2,400,000 expected to be filled by March 31, 2001. Orders are cancelable without penalty at the option of the purchaser prior to 30 days before scheduled shipment and therefore are not necessarily a measure of future product revenue.

We believe that our earnings will increase for the year 2001 due to

increased shipment volumes of our semiconductor products which we believe will result in lower costs based on volume purchasing of raw materials and subcontract services. We believe our shipment volumes will increase due to the growth in demand for our products that we have noticed over the last 18 months. During the first nine months of 2001, we had approximately 19% more revenue measured in dollars than in the previous quarter. We cannot assure you that the growth in demand, or demand for our products will not decline in the future. See "Risk Factors-Since the semiconductor industry is fast changing, our success depends on our ability to introduce new products." Our increased shipping volumes have led to reduced product costs. We have received reduced pricing from our packaging supplier that went into affect in the second quarter of 2001, and our silicon wafer subcontractor reduced prices that went into affect with June 2001 deliveries. We have also implemented test time reduction programs that started in May 2001 which will reduce test costs. We believe that the combination of these factors should result in improved earnings, provided that our customers' end markets remain robust.

In 2000 and the first nine months of 2001, we purchased all of our silicon wafers for our nonvolatile semiconductor memory products from a single supplier, Chartered Semiconductor Manufacturing. Approximately 89% of our sales for 2000 and 87% of sales for the first nine months of 2001 were from finished units produced from these silicon wafers. We had an agreement with Chartered Semiconductor Manufacturing to provide wafers through September 1998. Although Chartered Semiconductor Manufacturing continues to provide us wafers under the terms defined in this contract we do not have a current agreement signed. In 2000, we purchased all of our silicon wafers built on a 0.5 micron process technology and our silicon wafers built on a 0.35 micron process technology for our programmed semiconductor logic products from United Microelectronics and Chartered Semiconductor Manufacturing, respectively. Approximately 9% of our sales for 2000 were from finished units produced from these wafers. Currently, we do not have a current agreement signed for either of these companies to furnish us wafers, however, we have seen no disruption in their supply to us. Any disruptions in our relationship with Chartered Semiconductor Manufacturing could have an adverse impact on our operating results.

Zentrum Mikroelektronik Dresden, through their license agreement with us, has the worldwide right to sell nonvolatile semiconductor memory products developed jointly by us and Zentrum Mikroelektronik Dresden. As it has recently established volume production, Zentrum Mikroelektronik Dresden has begun selling such nonvolatile semiconductor memory products. In the past year, we did not see increased competition with Zentrum Mikroelektronik Dresden as compared to the previous year. However, due to Zentrum Mikroelektronik Dresden creating a second source for nonvolatile semiconductor memory products, we believe that its presence may have a positive impact because many large manufacturers require two sources from which to purchase product. We will not be receiving any further license payments from our contract with Zentrum Mikroelektronik Dresden.

We intend to continue designing, developing and subcontracting the production of our memory products. We also propose to continue to sell to existing and new customers through our normal sales and marketing efforts. We also intend to extend our logic product offerings. We will also begin development of high performance data communications products based on Silicon Germanium process expertise gained through our acquisition of Q-DOT Group. We believe that the additional logic and data communication products offered through these acquisitions will allow us to expand our product offering into new applications and additional customers. We anticipate that this will reduce our dependence on any single product line and provide additional potential sources of revenue.

LIQUIDITY AND CAPITAL RESOURCES

From inception through December 31, 2000, we have received approximately $32,100,000 of gross proceeds from the sale of convertible debt and equity securities. From inception through December 31, 2000, we generated approximately $10,085,000 of gross revenue from the sale of product and technology licenses, approximately $45,215,000 from net product sales and approximately $600,000 in royalty income.

Under the Cooperation Agreement entered into with Zentrum Mikroelektronik Dresden in September 1995, Zentrum Mikroelektronik Dresden had the right to convert all financing into shares of our common stock at a price of $0.175 per share for all monies paid in 1995 and at the average share price of the quarter the monies were paid for all monies paid in 1996. In 1996, we received $378,551 under this agreement of which $248,398 was converted into 1,353,374 shares of our common stock at a price of $.1548 and 165,000 shares of our common stock at a price of $.2358. Zentrum Mikroelektronik Dresden converted the remaining $130,153 into 551,964 shares of our common stock. During 2000, Zentrum Mikroelektronik Dresden began selling their shares of our common stock.

In 1998, we closed a $1,500,000 financing transaction with Renaissance Capital. This offering involved convertible debentures with a seven year term bearing interest at 9 percent per annum. In the first quarter of 2000, Renaissance converted all $1,500,000 of the debentures into an aggregate of 7,692,308 shares of our common stock. At the time of the conversion of the debentures, we were able to cease making interest payments and the underlying note was paid in full.

During 2000 and the first quarter of 2001, we acquired three companies in exchange for a total of approximately 9,420,000 shares of our common stock. Each of these acquisitions were handled as a pooling of interest and therefore the financial activities were integrated retroactively through 1999. We were not required to pay any cash as part of the purchase price in these transactions.

During 2000, we also issued a total of 3,900,000 shares of our common stock to three separate companies. We issued 2,900,000 in exchange for incomplete research and development that we acquired from WebGear and 500,000 shares of our common stock to each of two separate investment banker firms, World Trade Partners and E.B.M. Associates, for their services.

The change in cash flows for the nine months ended September 30, 2001 used in operating activities was primarily a result of a net loss of $980,819 which is offset by $340,854 in depreciation and amortization, $730,433 in prepaid investor relations, decreases in prepaid expenses and other, and increases in customer deposits and receipts from deferred revenue of $62,944, $2,000 and $15,000, respectively. These decreases were offset by an increase in accounts receivable, inventory, and a decrease in accounts payable and accrued expenses of $627,214, $444,939, $138,727, and $14,244, respectively. The increases in accounts receivable and inventory were related to increased product availability and demand. The change in cash flows used in investing activities was primarily due to the purchase of $325,863 of equipment required to test our products and payments on a capital lease obligation of $35,100. The change in cash flows used in financing activities of $104,723 was due primarily to payments on a line of credit and notes payable and the buyback of our common stock and receipts from deferred revenue.

The change in cash flows for the nine months ended September 30, 2000 provided by operating activities was primarily due to a net loss of $3,572,890, depreciation of $319,828, prepaid investor relations of $42,967, contributed services of $43,503, and the purchase of incomplete research and development of $4,384,545. Net change of reserve accounts, accounts receivable, prepaid and other, accrued expenses and taxes payable all saw increases of $312,286, $199,348, $127,883, $146,569 and $29,800, respectively. Inventory, accounts payable and customer deposits all saw decreases of $279,897, $527,061 and $33,083, respectively. The decreases in inventory and accounts payable were due to decreased product availability. Cash flows used in investing activities were due primarily to the purchase of $246,926 of equipment required to test our products and payments on a capital lease obligation of $29,467 both of which were offset by a decrease of $100,000 in restricted cash. Cash flows provided by financing activities of $65,476 were due primarily to payments on notes payable and on a line of credit and distributions to stockholders of $129,889, $68,769 and $27,400, respectively, which were offset by the purchase of stock options by the our employees of $293,131.

For the year ended December 31, 2000, cash flow provided by operations was $962,818, which is primarily due to a net loss of $3,540,342, which is offset by the WebGear asset purchase of $3,962,645, depreciation and amortization of $430,962, stock issuance for services of $22,932, a change in reserve accounts of $196,407, an increase of accounts receivable of $152,364, an increase of inventory of $85,270, a decrease in prepaid and other of $174,311 and a decrease in accounts payable of $39,689, an increase in accrued expenses of $44,371 and a decrease in customer deposits of $53,010. The increase in depreciation was due

primarily to the addition of computers and software required to develop our programmed semiconductor logic products and the addition of equipment required to test our products nonvolatile semiconductor memory products. $300,767 of the stock issuance for services was related to the amortization of the stock issued to E.B.M. Associates and World Trade Partners, the balance was related to the issuance of stock for services performed by our board of directors. The change in reserve accounts, accounts receivable, and inventory was due to increased product sales. The increase in prepaid and other was due primarily by our requirement to prepay for our silicon wafer deliveries if we are above our credit limit. The decrease in customer deposits was primarily due to customers prepaid orders at the end of 1999 and the product did not ship to them until 2000.

The use of cash flows in investing activities was due to purchases of equipment related to the purchase of test fixtures and printed circuit boards used to electrically exercise our nonvolatile semiconductor memory products manufactured at Chartered Semiconductor Manufacturing and the purchase of computers and software required for development of our programmed semiconductor logic products.

The cash flows provided by financing were primarily the result of the exercise of stock options of $297,067, borrowings from a line of credit and the issuance of a note of $908,231 which was offset by the payments on the line of credit of $1,133,000 and a notes payable of $136,135.

For the year ended December 31, 1999, cash flow provided by operations was $354,236, which was primarily due to depreciation and amortization of $391,718,

a change in reserve accounts of $90,936, an increase of accounts receivable of $174,429, and an increase in accounts payable of $342,754, a decrease in accrued expenses of $179,291 and an increase in customer deposits of $51,850. The increase in accounts receivable was due to a large revenue month in December 1999, from which the cash was not received until the first quarter of 2000. The increase in accounts payable was due primarily to an increase in product demand which requires us to maintain a larger wafer and work-in-progress inventory, which is payable to our subcontractors on 30 day terms and to the purchase of software that is being paid for on a five year capital lease.

The use of cash flows in investing activities for the year ended December 31, 1999, was due to purchases of equipment related to the testing of our nonvolatile semiconductor memory products and manufacturing and test equipment for our programmed semiconductor logic products and from the purchase of a restricted certificate of deposit. Of the $317,625 of equipment purchased, $179,310 related primarily of test fixtures and printed circuit boards used to electrically exercise our products manufactured at Chartered Semiconductor Manufacturing and wafer processing hardware used to support manufacturing of our programmed semiconductor logic products at United Microelectronics. The balance of $138,315 was related to computers and software purchased for use with our research and development contracts. A $300,000 certificate of deposit was established as collateral for a $300,000 letter of credit that is required by one of our suppliers in the event that we default on payments.

The cash flows provided by financing activities were primarily the result of proceeds from notes payable and capital contributions. We are not aware of any material commitments for capital expenditures, or any known trends, events, uncertainties that have had or expected to have a material impact on our sales, revenues or income, other than what we discussed above. We are also not aware of any seasonal aspects that had a material effect on our financial condition or results of operations.

SHORT-TERM LIQUIDITY.

Our cash balance at September 30, 2001 was $1,336,851.

Our future liquidity will depend on our revenue growth and our ability to sell our products at positive gross margins and control of our operating expenses. Over the coming year, we expect to spend approximately $10,000,000 for operating expenses. We expect to meet these capital needs from sales revenues and, to the extent we do not have sufficient revenues, from our existing cash reserves.

LONG-TERM LIQUIDITY.

We will continue to evaluate our long term liquidity. We currently do not have any material plan of financing for the medium or long term or out of the ordinary demands of our cash. We expect to continue to meet our capital needs from sales revenues.

ACCOUNTING STATEMENTS

On June 30, 2001, the FASB approved the issuance of SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and other Intangible Assets. SFAS 141

states that all business combinations should be accounted for using the purchase method of accounting; use of pooling-of-interest method is prohibited. Accounting for the excess of the fair value of net assets of cost (negative goodwill), will be allocated to certain assets first with any remaining excess recognized as an extraordinary gain. SFAS No. 141 is effective for business combination completed afer June 30, 2001. Adoption of SFAS No. 141 is not expected to have a material impact on the accounting for business acquisitions prior to July 1, 2001. SFAS No. 142 addresses the accounting for all purchased intangible assets but not the accounting for internally developed intangible assets. Goodwill will no longer be amortized and will be reviewed for impairment in accordance with SFAS No. 142. Goodwill will be tested annually and on an interim basis if an event or circumstance occurs between the annual tests that might reduce the fair value of the reporting unit below its carrying value. SFAS No. 142 is effective for fiscal years beginning after December 31, 2001, with early adoption permitted under certain circumstances. Goodwill and intangible assets acquired in a transaction completed after June 30, 2001 but before SFAS No. 142 is initially applied will be accounted for in accordance with SFAS No. 142. Therefore amortization of goodwill acquired prior to July 1, 2001 will cease when we elect to adopt SFAS No. 142.

In June 2001, the FASB also approved for issuance SFAS 143 "Asset Retirement Obligations." SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the timing of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that an asset retirement cost should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. We will adopt the statement effective no later than January 1, 2003, as required. The transition adjustment resulting from the adoption of SFAS 143 will be reported as a cumulative effect of a change in accounting principle. We do not believe the adoption of this standard will have a material effect on our financial statements.

In October 2001, the FASB also approved SFAS 144, Accounting for the Impairment or Disposal of Long- Lived Assets. SFAS 144 replaces SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long- Lived Assets to Be Disposed Of. The new accounting model for long-lived assets to be disposed of by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. Statement 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. Statement 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of Statement 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. At this time, we do not believe adoption of this standard will have a material effect on our financial statements.

INFLATION

The impact of inflation on our business has not been material.

BUSINESS

GENERAL

We provide integrated circuits to the electronics market for use in a variety of systems, such as computers, copiers, factory controllers, electric meters and military systems. We design, market and sell our products, but we subcontract the majority of our manufacturing requirements. We have designed and developed nonvolatile semiconductor products since we began business operations in May 1987. We have concentrated on the design and development of the 4, 16, 64 and 256 kilobit nonvolatile semiconductor memory product families and technologies, distribution channels, and sources of supply, including production at subcontractors. Kilobits are a measure of the amount of data that can be stored, more kilobits imply more storage. With our acquisitions of Integrated Logic Systems and Macrotech Semiconductor, we have added the capability to design, develop and produce programmed semiconductor logic products.

In September 2000, we purchased incomplete research and development, patents and trademarks from WebGear. Simtek has established a core business within the nonvolatile memory application segment, and is now expanding into other technology areas including logic and data communication markets. These additional product families are intended to allow more rapid total revenue growth and to reduce the risk inherent in our historic dependence on one product family.

As of September 30, 2001, our backlog for released purchase orders was approximately $2,400,000, all of which we expect to ship by March 31, 2002. Orders are cancelable without penalty at the option of the purchaser prior to 30 days before scheduled shipment and therefore are not necessarily a measure of future product revenue.

We are in production of our first four families of memory products, 256 kilobit, 64 kilobit, 16 kilobit and 4 kilobit nonvolatile semiconductor memories. Our 256 kilobit nonvolatile semiconductor memory product was qualified by our internal quality organization to the product's data sheet and in accordance with accepted industry standard practices in 1997 for sales into commercial and industrial markets and in 1998 for shipment into the military market. Our 64 kilobit nonvolatile semiconductor memories meet or exceed the requirements for sales into commercial, industrial and military markets. Our 16 kilobit and 4 kilobit nonvolatile semiconductor memories have been qualified for sales into commercial and industrial markets. Our nonvolatile semiconductor memories are physically smaller and require less maintenance than Static Random Access Memory devices that achieve nonvolatility through the use of internal batteries and are more convenient to use than Static Random Access Memory devices that achieve nonvolatility by being combined with additional chips.

Our programmed semiconductor logic products are used to replace programmable logic devices when a customer has completed his system design and requires cost-reduced integrated circuits for volume manufacturing. Each programmed semiconductor logic product is configured using the individual customer's design files and is built to his specific requirements.

We reduce capital requirements by subcontracting all phases of the manufacturing process. Chartered Semiconductor Manufacturing began providing silicon wafers for our nonvolatile semiconductor memory products in September 1993 and continues to provide wafers based on our product technology. United Microelectronics and Chartered Semiconductor Manufacturing provide silicon

wafers for our programmed semiconductor logic products based on 0.5 micron and 0.35 micron product technology, respectively. Amkor Technology and Amkor Test Services provide assembly and final test services, respectively, for our nonvolatile semiconductor memory products built from the wafers purchased from Chartered Semiconductor Manufacturing. Advanced Semiconductor Engineering and IPAC provide assembly services for our programmed semiconductor logic products. Testing of our programmed semiconductor logic products is done either internally or by Multitech Design and Test.

During 2000, all of the wafers used to produce our nonvolatile semiconductor memories were purchased from Chartered Semiconductor Manufacturing. Sales of these products accounted for approximately 75% of our revenue for 2000. Wafers were purchased from both Chartered Semiconductor Manufacturing and United Microelectronics in 2000 to support our programmed

semiconductor logic products. Sales of these products accounted for approximately 9% of our revenue for 2000. The remaining 16% of our revenue was from research and development contracts.

We currently have three sales and marketing offices, located in Colorado Springs, Colorado, Bristol, England and Savannah, Georgia. We have engaged 17 independent representative organizations with 40 sales offices and 31 distributor organizations with 105 sales offices. These organizations have multiple sales offices and sales personnel covering specific territories. Through these organizations and their sales offices we are capable of serving a worldwide market.

Since May 2000, we have made three acquisitions and issued stock instead of paying cash to three companies for the purchase of goods and services.

MEMORY INDUSTRY AND PRODUCT BACKGROUND

The semiconductor memory market is large and highly differentiated. This market covers a wide range of product densities, speeds, features and prices. The ideal memory would have:

- high bit density per chip to minimize the number of chips required in a system;
- fast data read and write speeds to allow a system's microprocessor to access data without having to wait;
- the ability to read and modify data an unlimited number of times;
- the ability to retain its data indefinitely when power is interrupted (i.e. nonvolatility);
- availability in a variety of package types for modern assembly techniques; and
- the ability to be tested completely by the manufacturer to ensure the highest quality and reliability.

Although customers would like to have memory components with all of these attributes it currently is not technically feasible. Therefore, the memory market is segmented with different products combining different mixes of these attributes.

Semiconductor memories can be divided into two main categories, volatile and nonvolatile. Volatile memories generally offer high densities and fast data access and programming speeds, but lose data when electrical power is interrupted. Nonvolatile memories retain data in the absence of electrical power, but typically have been subject to speed and testing limitations they also wear out if they are modified too many times. There are a number of common volatile and nonvolatile product types, as set forth below. The list of products under "Combinations" is limited to single packages and does not include combinations of the listed memories in separate packages, such as Static Random Access Memories in combination with Electrically Erasable Programmable Read Only Memories and Erasable Programmable Read Only Memories.

Volatile	Nonvolatile	Combinations
Static Random Access Memories	Electrically Erasable Programmable Read Only Memory	Nonvolatile Static R Memory
Dynamic Random Access Memory	Flash Memory	Nonvolatile Random A Memory
	Erasable Programmable Read Only Memory	Static Random Access plus lithium battery
	Programmable Read Only Memory	
	Read Only Memory	

VOLATILE MEMORIES. Rewritable semiconductor memories store varying amounts of electronic charge within individual memory cells to perform the memory function. In a Dynamic Random Access Memory the charge must be electrically refreshed many times per second or data are lost even when power is continuously applied. In a Static Random Access Memory the charge need not be refreshed, but data can be retained only if power is not interrupted.

NONVOLATILE MEMORIES. A Read Only Memory is programmed, or written, once in the later stages of the manufacturing process and cannot be reprogrammed by the user. Programmable Read Only Memory can be programmed once by the user, while Erasable Programmable Read Only Memory may be reprogrammed by the user a limited number of times if the Erasable Programmable Read Only Memory is removed from the circuit board in the equipment. Both Flash memory and Electrically Erasable Programmable Read Only Memory may be reprogrammed electrically by the user without removing the memory from the equipment. However, the reprogramming time on both Electrically Erasable Programmable Read Only Memory and Flash memory is excessively long compared to the read time such that in most systems the microprocessor must stop for a relatively long time to rewrite the memory.

COMBINATIONS. Many customers use a combination of volatile and nonvolatile memory functions to achieve the desired performance for their electronic systems. By using Static Random Access Memories in combination with Erasable Programmable Read Only Memory and Electrically Erasable Programmable Read Only Memory chips, customers can achieve nonvolatility in their systems and still retain the high data read and write speeds associated with Static Random Access Memory. This approach, however, is not desirable in many applications because of

the size and cost disadvantages associated with using two or more chips to provide a single memory function. Also, it may take up to several seconds to transfer the data from the Static Random Access Memory to the Electrically Erasable Programmable Read Only Memory; an excessive time at power loss. As a result, attempts have been made to combine nonvolatile and volatile memory features in a single package or silicon chip. One approach combines an Static Random Access Memory with lithium batteries in a single package.

Nonvolatile Random Access Memories combine volatile and nonvolatile memory cells on a single chip and do not require a battery. We believe our nonvolatile semiconductor memory represents a significant advance over existing products that combine volatility and nonvolatility on a single silicon chip. We combine an Static Random Access Memory cell with an Electrically Erasable Programmable Read Only Memory cell to create a small nonvolatile semiconductor memory cell. Our unique and patented memory cell design enables the nonvolatile semiconductor memory to be produced at densities higher than existing Nonvolatile Random Access Memories and at a lower cost per bit. In addition to high density and nonvolatility, the nonvolatile semiconductor memory has fast data access and program speeds and the Static Random Access Memory portion of the memory can be modified an unlimited number of times without wearing out.

MEMORY TECHNOLOGY

We use an advanced implementation of silicon-nitride-oxide-semiconductor technology. Silicon-nitride-oxide-semiconductor technology stores electrical charge within an insulator, silicon nitride, and uses a thin tunnel oxide layer to separate the silicon nitride layer from the underlying silicon substrate. Silicon-nitride-oxide- semiconductor technology prevents tunnel oxide rupture in the memory cell from causing an immediate loss of data. Oxide rupture has been a major cause of failures in Flash and Electrically Erasable Programmable Read Only Memories using floating gate technology, where charge is stored on a polysilicon conductor surrounded by insulators. To protect against these failures, many floating gate Electrically Erasable Programmable Read Only Memories have required error correction circuitry and redundant memory cells. This increases product cost by requiring more silicon area. Error correction and redundancy are not required for our products to protect against tunnel oxide rupture. In addition, our product designs incorporate a special test feature which can predict data retention time for every individual memory cell based on measuring the rate of charge loss out of the silicon nitride.

The Silicon-nitride-oxide-semiconductor technology coupled with our nonvolatile semiconductor memory cell allows high performance nonvolatile Static

Random Access Memory to be manufactured using complementary metal oxide semiconductor technology. The Silicon-nitride-oxide-semiconductor technology that we use has proven to be highly reliable, as demonstrated by our product qualification results to date.

OUR MEMORY PRODUCTS

Nonvolatile Static Random Access Memories. Our 256 kilobit, 64 kilobit, 16 kilobit and 4 kilobit nonvolatile semiconductor memory product families consist of nonvolatile memories that combine fast Static Random Access Memory and nonvolatile Electrically Erasable Programmable Read Only Memory characteristics within each memory cell on a single chip of silicon. The Static Random Access

Memory portion of the nonvolatile semiconductor memories is operated in the same manner as most existing Static Random Access Memory products. The Static Random Access Memory can be written to and read from an unlimited number of times. The Electrically Erasable Programmable Read Only Memory can be programmed, depending upon device type, by user control or automatically by transferring the Static Random Access Memory contents into the Electrically Erasable Programmable Read Only Memory. The Electrically Erasable Programmable Read Only Memory data can be transferred back into the Static Random Access Memory by user control or the data can be transferred automatically.

Our nonvolatile semiconductor memories have fast data access speeds of 20, 25, 35 and 45 nanoseconds. These data access speeds correspond to those of fast Static Random Access Memory and meet the requirements of much of the fast Static Random Access Memory market. The high speed characteristics of our nonvolatile semiconductor memories allow them to be used in applications with various high performance microprocessors and digital signal processors such as those manufactured by Intel Corp., Texas Instruments and Motorola. Our nonvolatile semiconductor memories can be used to replace Static Random Access Memories with lithium batteries and multiple chip solutions such as Static Random Access Memory plus Electrically Erasable Programmable Read Only Memory or Flash Memory.

The various combinations of density and speed allow our nonvolatile semiconductor memory products to meet the design and performance requirements of many different types of systems.

We finalized commercial and industrial qualification of two versions of our initial 64 kilobit nonvolatile semiconductor memory product offering in September 1991 and April 1992, respectively. We completed military qualification of our initial nonvolatile semiconductor memories in May 1992. We began sales into the commercial market of our initial 16 kilobit nonvolatile semiconductor memory product family in 1992. The nonvolatile semiconductor memory product family also includes the 4 kilobit version. We completed the development and product qualification of the 64 kilobit AutoStoreTM nonvolatile semiconductor memory in 1993. The AutoStoreTM version automatically detects power loss and transfers the data from the Static Random Access Memory cells into the Electrically Erasable Programmable Read Only Memory cells. This device does not require instructions or intervention from the system microprocessor to notify it of the power loss. Commercial and industrial qualification of our 256 kilobit nonvolatile semiconductor memory occurred in 1997 and military qualification of our 256 kilobit nonvolatile semiconductor memory was completed in the second quarter of 1998.

PROGRAMMABLE LOGIC DEVICE INDUSTRY

The electronics industry uses logic integrated circuits to route electrical signals to perform tasks unique to that system. These unique operations differentiate one system capability from another. Field Programmable Gate Arrays and Complex Programmable Logic Devices have become popular for this purpose, and are supplied by a number of major suppliers, such as Xilinx and Altera. These products provide high performance, flexible solutions, but the technology required to allow these products to be programmable is expensive when compared to non- programmable, fixed function, application specific products.

PROGRAMMED SEMICONDUCTOR TECHNOLOGY

We subcontract the production of our semiconductor logic products to various fabrication facilities. We provide the fabrication facilities with the

design of our programmed semiconductor logic products and these facilities install our designs on the chips through standard wafer processing. We currently contract with United Microelectronics for 0.5 micron technology and with Chartered for 0.35 micron technology, in each case through purchase orders on a case-by-case basis. We plan to migrate the technology to a 0.25 micron process as the market develops. Lower micron processes allow us to provide our customers with the same functionality in our products but at a lower cost.

OUR PROGRAMMED SEMICONDUCTOR LOGIC PRODUCTS

Programmed semiconductor logic products are built to order based on customer designs that are electronically transferred to our design workstations. Our engineers then verify the design and implement it in the appropriate technology to provide the most cost effective solution available for the customer.

Our customers often ask that we provide them with programmed semiconductor logic products at a lower price than their existing logic products without sacrificing the products' functionality. Our software conversion tools translate our clients' design files of their logic products generally allowing us to provide our clients with a logic product that has the same functionality but at a lower cost than their existing logic products. We have also developed a testability feature that allows us to test our programmed semiconductor logic products without dedicating a portion of the chip area to such testing.

PRODUCT WARRANTIES

We presently provide a one-year limited warranty on our products.

RESEARCH AND DEVELOPMENT

Our research and development activities are centered around developing new products and reducing the cost of our nonvolatile semiconductor memory products as well as the development and design of customer specific programmed semiconductor logic products. We have reduced our production costs by introducing our 0.8 micron process technology. This technology reduced the size of the 64 kilobit nonvolatile semiconductor memory chip and enabled us to develop a cost effective 256 kilobit nonvolatile semiconductor memory. We are continuing our efforts to improve yield on the 0.8 micron technology. In order to further reduce costs, since late 1997 we have used outside experts for testing of our products. We have a test floor used for evaluation of our technologies, product designs and product quality. The test floor is also used for production testing of silicon wafers.

In an effort to expand our products, we acquired, from WebGear, incomplete research and development of technology that we intend to apply within the emerging Bluetooth market segment. "Bluetooth" is an industry standard, short range wireless communications technology designed to allow a variety of electronic devices, such as wireless telephone, Personal Digital Assistants, notebook computers, desktop computers, peripheral input-output devices, television set-top boxes and Internet appliances to exchange data without the use of physical cabling. We plan to spend approximately $250,000 over the next year in order to develop and manufacture integrated circuits using the technology in Bluetooth applications.

We anticipate that our acquisition of Q-DOT Group will enable us to enter the high speed data communications market, addressing both wired and wireless applications, based on advanced Silicon Germanium process technology. Silicon Germanium is rapidly becoming the technology of choice for many analog, mixed

signal and high speed digital circuits. We plan to spend approximately $350,000 over the next year in order to develop and manufacture integrated circuits using the Silicon Germanium process technology.

Our research and development expenditures for the years ended December 31, 2000 and 1999 were $6,158,189 and $2,240,273, respectively. Of the $6,158,189 expenditure incurred in 2000, $3,962,646 was related to the incomplete research and development we purchased from WebGear with stock. We intend to continue expenditures on research and development; however, the percentage of research and development expenditures is expected to decrease relative to expenditures relating to the commercial production of our existing products.

MANUFACTURING AND QUALITY CONTROL

Our manufacturing strategy is to use subcontractors whose production capabilities meet the requirements of our product designs and technologies.

In 1992, we entered into a manufacturing agreement with Chartered Semiconductor Manufacturing to provide us with silicon wafers for our products. Under the manufacturing agreement with this subcontractor, it has installed a manufacturing process for versions of our current and future memory products.

Finished wafer procurement reverted to Chartered Semiconductor Manufacturing during 1998 as we ceased purchasing finished units from Zentrum Mikroelektronik Dresden. We used United Microelectronics for wafer procurement of our 0.5 micron Programmed semiconductor logic products and Chartered Semiconductor Manufacturing for wafer procurement of our 0.35 micron Programmed semiconductor logic products. During 2000, all of our product revenue was based on wafers purchased from Chartered Semiconductor Manufacturing and United Microelectronics.

Device packaging of our nonvolatile semiconductor memory products continued at the Amkor facilities in the Philippines and South Korea. Final test for our nonvolatile semiconductor memory products was established successfully at Integra Technologies, now Amkor Test Services, in Wichita, Kansas. Device packaging of our programmed semiconductor logic products continued at Advanced Semiconductor Eng., Inc. in Taiwan. Final test of our programmed semiconductor logic products was completed in our Colorado Springs facility and at Multitech Design and Test in San Jose, California.

Our subcontractors provide quality control for the manufacture of our products. We maintain our own quality assurance personnel and testing capability to assist the subcontractors with their quality programs and to perform periodic audits of the subcontractors' facilities and finished products to ensure product integrity.

Our quality and reliability programs were audited by several commercial and military customers during 2000 as part of routine supplier certification procedures. All such audits were completed satisfactorily.

MARKETS

Our memory products are targeted at fast nonvolatile Static Random Access Memory markets, Static Random Access Memory plus Electrically Erasable Programmable Read Only Memory markets and other nonvolatile memory products

broadly used in commercial, industrial and military electronic systems.

Our programmed semiconductor logic products are built to customer requirements in many application areas. Therefore, we believe that our products will address very broad markets including these applications:

Airborne and Space Computers *	Lighting *
Automotive Control & Monitoring	Medical Instruments *
Portable Telephone Modems	Control Systems *
Portable Computers	Currency Changers
Postal Meters	Data Monitoring Equipment *
Printers *	Disk Drives *
Process Control Equipment *	Facsimile Machines *
Radar and Sonar Systems *	Gaming *
Telecommunications Systems *	GPS Navigational Systems
Terminals *	Guidance and Targeting Systems *
Test Equipment *	High Performance Workstations
Utility Meters *	Laser Printers *
Vending Machines	Mainframe Computers
Weapon Control Systems *	CD Writers
Security Systems *	Copiers *
Broadcast Equipment *	Cable TV Set Top Converter Boxes *
Studio Recording Equipment *	

The applications marked with an asterisk currently use our products. The other applications use similar products, but may use our products in newer designs.

We are increasing marketing and sales emphasis on office automation products such as copiers and mass storage systems as well as beginning new sales efforts in data communication applications.

SALES AND DISTRIBUTION

Our strategy is to generate sales through the use of independent sales representative agencies and distributors. We believe this strategy provides the fastest and most cost effective way to assemble a large and professional sales force.

We currently have three sales and marketing offices, located in Colorado Springs, Colorado, Bristol, England and Savanah, Georgia. We have engaged 17 independent representative organizations with 40 sales offices and 31 distributor organizations with 105 sales offices. Both organizations have multiple sales offices and sales personnel covering specific territories. Through these organizations and their sales offices we are capable of serving a worldwide market.

Independent sales representatives typically sell a limited number of noncompeting products to semiconductor users in particular geographic assigned territories. Distributors inventory and sell products from a larger number of product lines to a broader customer base. These sales channels are complementary, as representatives and distributors often work together to consummate a sale, with the representative receiving a commission from us and the distributor earning a markup on the sale of the products. We supply sales

materials to the sales representatives and distributors.

For our marketing activities, we evaluate external marketing surveys and forecasts and perform internal studies based, in part, on inputs from our independent sales representative agencies. We prepare brochures, data sheets and application notes on our products.

CUSTOMERS AND BACKLOG

We have shipped qualified nonvolatile semiconductor memory products to customers directly and through distributors since the September 1991 commercial product qualification; the majority of our customers are Fortune 500 companies. Approximately 40% of our net product sales during 2000 were to customers in the Pacific Rim and approximately 17% were to customers in Europe. The remaining product sales were to customers in North America.

As of September 30, 2001, we had a backlog of unshipped customer orders of approximately $2,400,000, which is expected to be filled by March 31, 2002. Orders are cancelable without penalty at the option of the purchaser prior to 30 days before scheduled shipment and therefore are not necessarily a measure of future product revenue.

During 2000, we continued to receive initial and scheduled production orders on our 64 kilobit and 256 kilobit nonvolatile semiconductor memory product. We believe that we will continue to receive volume production orders on these products.

LICENSES

Zentrum Mikroelektronik Dresden. In June of 1994, we signed a joint development agreement with Zentrum Mikroelektronik Dresden to install the 1.2 micron products for manufacture at Zentrum Mikroelektronik Dresden and to jointly develop the 0.8 micron technology at Chartered Semiconductor

Manufacturing. The agreement was modified in August of 1994 by a Letter of Intent between us to bypass the installation of our nonvolatile semiconductor memory products based on a 1.2 micron process technology at Zentrum Mikroelektronik Dresden and instead modify the 0.8 micron technology to run in the Zentrum Mikroelektronik Dresden factory. Zentrum Mikroelektronik Dresden has paid us all the monetary requirements under this agreement including any royalties we may receive from sales of these jointly developed products.

Future License Sales. We intend to sell product and technology licenses on a selective basis. We will continue to seek licensing partners who can contribute to the development of the nonvolatile semiconductor memory market and provide a meaningful level of revenue to us while not posing an undue threat in the marketplace.

COMPETITION

Our products compete on the basis of several factors, including data access and programming speeds, density, data retention, reliability, testability, space savings, manufacturability, ease of use and price.

Products that compete with our family of nonvolatile semiconductor memories fall into three categories. The first category of products that compete with our

nonvolatile semiconductor memories are volatile and nonvolatile chips used in combination, such as fast Static Random Access Memories used with Erasable Programmable Read Only Memories, Electrically Erasable Programmable Read Only Memories, or Flash memory. We believe that we have advantages over these applications because the nonvolatile semiconductor memory allows data to be stored in milliseconds as compared to seconds for chips used in pairs. Our single chip solution provides a space savings and easier manufacturing. Our single chip solution generally provides increased reliability versus multiple chips. We believe it will be able to compete with many solutions requiring density up to 256 kilobits; however, in those instances where the density requirement is beyond 256 kilobits the nonvolatile semiconductor memory does not compete. New systems designs tend to use larger memory densities greater than 256 kilobits, reducing the market available to us. We estimate that less than 10% of the market uses 256 kilobit or smaller memories. Competitors in the multiple chip category include Cypress Semiconductor Corp., Integrated Technology, Inc., Toshiba, Fujitsu, Advanced Micro Devices, Inc., Atmel and National Semiconductor Corp. We currently hold less than 1% market share this market category.

The second category of products that compete with our nonvolatile semiconductor memories are products that combine Static Random Access Memories with lithium batteries in specially adapted packages. These products generally are slower in access speeds than our nonvolatile semiconductor memories due in part to limitations caused by life of the lithium battery when coupled with a faster Static Random Access Memory. Our nonvolatile semiconductor memories are offered in standard, smaller, less expensive packages, and do not have the limitation on lifetime imposed on the Static Random Access Memory/battery solutions by the lithium battery. Our nonvolatile semiconductor memories can also be used for wave soldered automatic insertion circuit board assembly since they do not have the temperature limitations of lithium batteries. However, lithium battery-backed Static Random Access Memory products are available in densities of 1 megabit and greater per package. Companies currently supplying products with lithium batteries include Dallas Semiconductor Corp., ST Microelectronics and Texas Instruments. We currently hold approximately 10% of this market category.

The third category consists of Nonvolatile random access memories that combine Static Random Access Memory cells and Electrically Erasable Programmable Read Only Memory memory cells on a monolithic chip of silicon. Our current product offerings are of higher density, faster access times and we believe can be manufactured at lower costs per bit than Nonvolatile random access memories. We believe that traditional manufactures of Nonvolatile random access memories have discontinued manufacturing their products.

Zentrum Mikroelektronik Dresden, through their license agreement with us, has the worldwide right to sell under the Zentrum Mikroelektronik Dresden label nonvolatile semiconductor memories developed jointly by Zentrum Mikroelektronik Dresden and us. With volume production established at Zentrum Mikroelektronik Dresden, Zentrum Mikroelektronik Dresden is selling such nonvolatile semiconductor memories. This has had a positive impact for us by creating a second source, which is required by many larger companies, for our nonvolatile semiconductor memory products. However, in 2000, we were required to reduce

prices to specific markets due to the increased competition from Zentrum Mikroelektronik Dresden. We believe that the competition from Zentrum Mikroelektronik Dresden has increased the number of companies using nonvolatile

semiconductor memories, but may have put downward pressure on average selling prices.

We are aware of other semiconductor technologies for nonvolatile memory products. These technologies include ferroelectric memory and thin film magnetic memory. Each of these requires a newly developed process technology which has processing risk, but may deliver performance characteristics superior to our technology if perfected. Each of these processes integrates materials into the silicon processing steps which are not commonly used for semiconductor memory products today. If successful, these products could perform the same functions in a system that our products currently perform, but may be manufactured in higher density or lower cost products. Ramtron, Raytheon, Symetrix, and others are developing ferroelectric products. Honeywell, Inc. is developing magnetic film products.

Programmed semiconductor logic-type solutions are supported by semiconductor companies such as AMI Semiconductor, NEC and Temic. These competitors provide a wide variety of solutions using semiconductor processes ranging from 0.8 micron process technology to 0.25 micron process technology. The business of converting customers' programmable logic products to non-programmable logic products is highly dependent on the customers' designs and system performance requirements. Each competitor's process technology and software tools will affect its ability to support any particular requirement.

PATENTS AND INTELLECTUAL PROPERTY

We undertake to protect our product designs and technologies under the relevant intellectual property laws as well as by utilizing internal disclosure safeguards. Under our licensing programs, we exercise control over the use of our protected intellectual property and have not permitted our licensees to sublicense our nonvolatile semiconductor memory products or technology.

It is common in the semiconductor industry for companies to obtain copyright, trademark, trade secret and patent protection of their intellectual property. We believe that patents are significant in our industry, and we are seeking to build a patent portfolio. We expect to enter into patent license and cross-license agreements with other companies. We have been issued twenty five patents in the United States on our nonvolatile semiconductor memory cell and other circuit designs. These patents relate to circuit implementations used to design our nonvolatile memory products. The use of these patents allows us to design circuits with lower power consumption and faster store timing than would be possible otherwise giving us a competitive advantage over other technologies. These patents have terms that expire through 2008 to 2013. We have also taken steps to obtain European patents in the large European countries, including Germany, France, the United Kingdom and Sweden on the nonvolatile memory patents that would have potential value in international markets. We have four applications that have been allowed and intend to prepare patent applications on additional circuit designs we have developed. However, as with many companies in the semiconductor industry, it may become necessary or desirable in the future for us to obtain licenses from others relating to our products.

Many of our product designs are not protected by patents. We do not have patents on our logic product technology but rather protect such logic product technology as trade secrets. Our logic products accounted for approximately 9% of our sales for the year ended December 31, 2000. We also protect aspects of our technology that relate to our semiconductor memory products as trade secrets. There are disadvantages to protecting intellectual property as trade secrets rather than patents. See "Our Patents May Not Provide Us Effective Intellectual Property Protection; This Could Harm Our Business."

We have received federal registration of the term "Novcel" a term we use to describe our technology. We have not sought federal registration of any other

trademarks, including "Simtek" and "QuantumTrapTM" or our logo.

Employees

As of the date of this prospectus, we had 54 full-time employees.

FACILITIES

We lease approximately 12,000 square feet of space in Colorado Springs, Colorado. This space includes a product engineering test floor of approximately 2,350 square feet. The lease expires on December 31, 2001. During 2000, we signed a lease for a new location in Colorado Springs, Colorado for approximately 16,000 square feet of space that includes a product engineering test floor of approximately 3,000 square feet. The new lease agreement requires the new landlord to begin paying all costs related to the old location at the time we take occupancy at the new location. In March 2001, we moved into the new facility, located at 4250 Buckingham Drive #100, Colorado Springs, CO 80907.

Legal Proceedings

We are not aware of any legal proceedings against us as of the date of this prospectus.

Matters Submitted to a Vote of Security Holders

On November 16, 2000, we had a special meeting of shareholders to ratify the selection of Hein + Associates LLP as our independent auditors for the year ending December 31, 2000. The proposal was passed with the voting of 32,532,148 For, 97,355 Against, and 138,458 Abstained.

MANAGEMENT

Directors and Executive Officers

Our directors and executive officers are as follows:

Name	Age	Position
Douglas M. Mitchell.....	52	Director, Chief Executive Officer a Chief Financial Officer (acting)

Klaus C. Wiemer.....	63	Director
Robert H. Keeley.....	59	Director
John Heightley	64	Director

DOUGLAS M. MITCHELL, served as our Chief Operating Officer from July 1, 1997 until January 1, 1998 at which time he became Chief Executive Officer, President and a director. Mr. Mitchell has over 20 years of experience in the semiconductor and electronics systems industry holding various marketing and sales management positions. Prior to joining us, he was President and Chief Executive Officer of a wireless communications company, Momentum Microsystems. Prior to this Mr. Mitchell was Vice President of Marketing with SGS- Thomson Microelectronics, responsible for marketing and applications engineering of Digital Signal Processing, transputer, microcontroller and graphics products in North America. SGS-Thomson had acquired Inmos Corporation where Mr. Mitchell had been Manager, US Marketing and Sales. Mr. Mitchell has held management positions at Texas Instruments and Motorola and has been responsible for various product definition and product development. Mr. Mitchell holds a Bachelors degree in electrical engineering from the University of Texas and a Masters of Business Administration degree from National University.

KLAUS C. WIEMER, has served as a director since May 1993. He also serves on the boards of Neomagic Corp (NMGC) of Santa Clara, CA and InterFET Corp of Garland, TX. From July 1993 to May 1994, Dr. Wiemer served as President and Chief Executive Officer of our company. Since May 1994, Dr. Wiemer has been an independent consultant. From April 1991 to April 1993, Dr. Wiemer was President and Chief Executive Officer of Chartered Semiconductor Manufacturing , and from July 1987 to March 1991, Dr. Wiemer was President and Chief Operating Officer of Taiwan Semiconductor Manufacturing Company. Prior to 1987, Dr. Wiemer was a consultant for the Thomas Group specializing in the area of integrated circuit manufacturing and previously worked for fifteen years with Texas Instruments. Dr. Wiemer holds a Bachelors degree in physics from Texas Western College, a Masters degree in physics from the University of Texas and a Ph.D. in physics from Virginia Polytechnic Institute.

ROBERT H. KEELEY, has served as a director since May 1993. He is currently the El Pomar Professor of Business Finance at the University of Colorado at Colorado Springs. From 1986 until he joined the faculty at the University of Colorado at Colorado Springs in 1992, Dr. Keeley was a professor in the Department of Industrial Engineering and Engineering Management at Stanford University. Prior to joining Stanford, he was a general partner of Hill and Carmen (formerly Hill, Keeley and Kirby), a venture capital firm. Dr. Keeley holds a Bachelors degree in electrical engineering from Stanford University, an M.B.A. from Harvard University and a Ph.D. in business administration from Stanford University. Dr. Keeley is also a director of Analytical Surveys, Inc. and a number of private companies.

JOHN HEIGHTLEY, was appointed as a director in September 1998. Mr. Heightley is currently executive vice president and chief technology officer for United Memories of Colorado Springs. From 1990 to 1996, Mr. Heightley was president and chief executive officer of Adaptive Solutions, Inc. In 1986 and 1987, he held the position of president and chief executive officer of Gigabit Logic, Inc.; in 1987 he was appointed chairman of Gigabit along with his responsibilities as president and chief executive officer. Mr. Heightley held these positions until 1990. Prior to Gigabit, Mr. Heightley served as president

and chief executive officer of Ramtron Corporation from 1985 to 1986 and from 1978 to 1985 he served as a member of the board of directors, president, chief operating officer and vice president of memory products for Inmos International, plc. Mr. Heightley was granted a B.S. degree in Engineering Science from Penn State University and earned a M.S. degree in Electrical Engineering from M.I.T.

Mr. Harold Blomquist resigned as a member of our board of directors on June 28, 2001. We will fill the vacancy on our board in accordance with our bylaws.

Subject to the requirement that the board of directors be classified if it consists of six or more persons, directors serve until the next annual meeting or until their successors are elected and have qualified. Officers serve at the discretion of the board of directors. Vacancies on the board of directors are filled by the existing directors.

In 1994 we entered into a Product License Development and Support Agreement, with Zentrum Mikroelektronik Dresden. This agreement, modified later in 1994 and again in 1995, provides Zentrum Mikroelektronik Dresden the right to appoint two members to our board of directors which members must be acceptable to, and approved by, our board of directors. Although this agreement and its modifications do not have a set termination date, Zentrum Mikroelektronik Dresden's two nominees to our board of directors resigned in April 1998 and Zentrum Mikroelektronik Dresden has not attempted to nominate anyone to our board since then. Zentrum Mikroelektronik Dresden currently holds a competitive position to us in the marketplace. Furthermore, Zentrum Mikroelektronik Dresden's right to appoint two members to our board of directors was subject to Zentrum Mikroelektronik Dresden's compliance with the terms of the Product License Development and Support Agreement and its amendments. We cannot assure you that Zentrum Mikroelektronik Dresden will not claim that it has the right to appoint two members to our board of directors in the future, again acceptable to and approved by our board of directors, or that Zentrum Mikroelektronik Dresden will not succeed in securing such appointment. See "Business -- Licenses, Zentrum Mikroelektronik Dresden."

SPECIAL PROVISIONS IN ARTICLES OF INCORPORATION

Our articles of incorporation contain a provision limiting the liability of directors to the fullest extent permitted under the Colorado Business Corporation Act. The Colorado Business Corporation Act allows a corporation to limit the personal liability of a director to the corporation or its shareholders for monetary damages for breaches of fiduciary duty as a director except:

- breaches of the director's duty of loyalty to the corporation or to its shareholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of the law;
- other acts specified in the Colorado Business Corporation Act, such as acts involving voting for or assenting to a distribution made in violation of the Colorado Business Corporation Act or our articles of incorporation;
- transactions from which the director derived an improper personal benefit.

The provisions of the Act will not impair our ability to seek injunctive relief for breaches of fiduciary duty. Such relief, however, may not always be available as a practical matter.

Our articles of incorporation also contain a provision that requires us to indemnify, to the fullest extent permitted under the Act, directors and officers against all costs and expenses reasonably incurred in connection with the defense of any claim, action, suit or proceeding, whether civil, criminal, administrative, investigative or other, in which such person may be involved by virtue of being or having been a director, officer or employee.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers and controlling persons of Simtek pursuant to the foregoing provisions, or otherwise, Simtek has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

EXECUTIVE COMPENSATION

The following table sets forth information for each of our last three fiscal years with respect to the annual and long-term compensation of the only individual acting as the Chief Executive Officer during the fiscal year ended December 31, 2000. No other executive officers as of December 31, 2000 had combined annual salary and bonus for the fiscal year ended December 31, 1998 that exceeded $100,000.

Summary Compensation Table

		Annual Compensation			Long Term Compen	
					Awards	
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compen-sation($)	Restricted Stock Award(s) ($)	Options/ P SARs(#)
Douglas M. Mitchell(1)	2000	$150,000	$62,500	--	--	40,000
Chief Executive Officer	1999	$120,000	--	--	--	30,000
and President	1998	$120,000	--	--	--	250,000

(1) Mr. Mitchell became our Chief Executive Officer and President on January 1, 1998.

OPTION GRANT TABLE

The following table sets forth information with respect to options granted by us during the fiscal year ended December 31, 2000 to the individual named in the summary compensation table above.

Name	Shares subject to Options/SAR's Granted	Shares subject to Options/SAR's Granted to Employees in Fiscal % of Total	Exercise Price Per Share	Market Price per Share on Date of Grant	Expiration Date
Douglas M. Mitchell	40,000(1)	4.1%	$0.25	$0.25	1/14/2007

(1) 40,000 options were granted to Mr. Mitchell in his capacity as Chief Executive Officer and President, these options vest at 1/36th per month over 3 years.

YEAR-END OPTION TABLE

The following table sets forth as of December 31, 2000 the number of shares subject to unexercised options held by the individual named in the summary compensation table above. 550,000 options had an exercise price greater than the last sale price of our common stock underlying the options as reported by the OTC Electronic Bulletin Board on the last trading day of the fiscal year ended December 31, 2000.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Unexercised Options/SARs at Fiscal Year-End Exercisable (#)	Unexercisable (#)	Valu at Exercisab ($)
Douglas M. Mitchell	100,000	$198,952	541,389	78,611	$10,111

EMPLOYMENT AGREEMENTS

Mr. Mitchell is employed as President and Chief Executive Officer pursuant to an employment agreement with us. Under the terms of the employment agreement, Mr. Mitchell receives and annual salary of $150,000 and such additional benefits that are generally provided other employees. Mr. Mitchell's employment agreement expires June 1, 2001 but is automatically renewed for successive one-year terms unless we or Mr. Mitchell elects not to renew. If we terminate the employment of Mr. Mitchell without cause, Mr. Mitchell is entitled to continuation of his base salary and benefits, mitigated by income Mr. Mitchell may earn, for the

remainder of the term of the agreement. Mr. Mitchell is subject to a noncompetition covenant for a period of one year from the date of termination.

CONFIDENTIALITY AND NONDISCLOSURE AGREEMENTS

We generally require our employees to execute confidentiality and nondisclosure agreements upon the commencement of employment with us. The agreements generally provide that all inventions or discoveries by the employee related to our business and all confidential information developed or made known to the employee during the term of employment shall be the exclusive property of us and shall not be disclosed to third parties without the prior approval of us.

DIRECTORS' COMPENSATION

Each director who is not also an employee receives $1,000 for each meeting of the Board, attended in person, and $500 for each meeting of a committee of the Board. Directors are also reimbursed for their reasonable out-of-pocket expenses incurred in connection with their duties to us. During the fiscal year ended December 31, 2000, 15,000 stock options were granted, at the market price on date of grant, each to Dr. Klaus Wiemer , Dr. Robert Keeley, Mr. Harold Blomquist and Mr. John Heightley.

SECURITY OWNERSHIP

The first table below sets forth information regarding ownership of our common stock as of November 21, 2001, by each person who is known by us to beneficially own more than five percent of our common stock, by each director, by each executive officer named in the summary compensation table and by all directors and executive officers as a group. Shares issuable within sixty days upon the exercise of options are deemed outstanding for the purpose of computing the percentage ownership of persons beneficially owning such options or holding

such notes but are not deemed outstanding for the purpose of computing the percentage ownership of any other person. To the best of our knowledge, the persons listed below have sole voting and investment power with respect to the shares indicated as owned by them subject to community property laws where applicable and the information contained in the notes to the table.

Name and Address of Beneficial Owner	Number of Shares Owned	Percentage of Class
Hugh Norman Chapman 4785 Rustler Ct. Colorado Springs, CO 80918	3,068,056(1)	5.71%
Douglas M. Mitchell 205 Ridge Dr. Woodland Park, CO 80863	732,997(2)	1.35%
Klaus C. Wiemer 5705 Archer Court Dallas, TX 75252	135,000(3)	*

Robert H. Keeley 12630 Milan Road Colorado Springs, CO 80908	110,000(4)	*
John D. Heightley 1275 Log Hollow Point Colorado Springs, CO 80906	70,000(5)	*
All officers and directors as a group (5 persons)	1,047,997(6)	1.91%

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* Less than one percent.

(1) Represents 2,962,500 shares of our common stock that Mr. Chapman received upon our acquiring Integrated Logic Systems and represents 105,556 shares issuable upon exercise of options.

(2) Represents 683,611 shares issuable upon exercise of options, 44,386 shares acquired from the Q-DOT Group acquisition and 5,000 shares Mr. Mitchell owns personally.

(3) Represents 135,000 shares issuable upon exercise of options.

(4) Includes 110,000 shares issuable upon exercise of options.

(5) Represents 70,000 shares issuable upon exercise of options.

(6) Includes 998,611 shares issuable upon exercise of stock options.

SELLING SHAREHOLDERS

The following table sets forth information about our selling shareholders.

Name and Address of Selling Shareholders	Number of Shares Beneficially Owned Before Offering	Number of Shares Offered	Numb Sh Foll t Off
Mr. William B. Bliss 2985 Broadmoor Valley Road Colorado Springs, CO 80906	1,136,581	397,804	738
Mr. Thomas K. Bohley P. O. Box 7345 Colorado Springs, CO 80933-7345	17,663	6,183	11
Mr. Bruce B. Brundage 7837 S. Perry Park Rd. Larkspur, CO 80118	53,871	18,855	35

Ms. Mary F. Crockett 1402 Lorraine Street Colorado Springs, CO 80906-2146	6,211(2)	619	5
Mr. Russell Farmer 15098 Zuni Street Broomfield, CO 80020	51,451	18,008	33
Mr. Morgan L. Fitch, Jr. (1) 4640 Clausen Western Springs, IL 60558	583,746	204,312	379
Mr. Steven R. Freeman 2241 S. Huran Pkwy., #4 Ann Arbor, MI 48104	12,364	4,328	8
Mr. David A Gradl 1308 Pickwick Court Naperville, IL 60563	226,663	79,333	147
Mr. Michael E. Harrell 2263 Havenridge Dr. Colorado Springs, CO 80920	23,989(3)	619	23
Mr. Donald L. Herman, Jr. 435 Maverick Way Monument, CO 80132	33,771	11,820	21
Dr. Robert J. Kansy 5509 Harbor Town Dr. Dallas, TX 75287	33,771	11,820	21

Mr. James H. Lauffenberger 6427 Rifle Circle Colorado Springs, CO 80919	17,663	6,183	11
Ms. Barbara S. Linnenbrink 475 Silver Saddle Monument, CO 80132	489,287	171,251	318
Mr. Thomas E. Linnenbrink 5985 Nora Point, #202 Colorado Springs, CO 80919	927,461(4)	312,945	614
Mr. Douglas M. Mitchell 205 Ridge Rd. Woodland Park, CO 80863	732,997(5)	15,536	717
Mr. Marc A. Morin 161 W. Ridge Dr. Woodland Park, CO 80863	1,961	687	1
Dr. Margaret S. Mortz	35,325	12,364	22

3420 S. Ridgeview Drive Spokane, WA 99206-9556			
Mr. James J. Myrick 748 Greenwood Ave. Glencoe, IL 60022	408,057	142,820	265
Mr. Timothy G. O'Shaughnessy 12415 Latigo Blvd. Elbert, CO 80106	884	310	
Dr. David E. Reed 9747 W. 99th Place Westminister, CO 80021	17,663	6,183	11
Mr. J. Ray Rice 7555 Wildridge Rd. Colorado Springs, CO 80908	2,208	773	1
Dr. Peter C. T. Roberts 639 N. Sunway Drive Gilbert, AZ 85233	17,663	6,183	11
Mr. William J. Schneweis 22 Pinon Lake Dr. Divide, CO 80814	884	310	
Mr. Brian L. Sperry 2877 Loma Place Boulder, CO 80301	33,789	11,827	21
Mr. Alan Steiner 19410 Glen Cannon Way Monument, CO 80132	53,871	18,855	35

Alan B. and Barbara W. Steiner Trust 19410 Glen Cannon Way Monument, CO 80132 (Alan B. Steiner, trustee)	52,988	18,546	34,
Patlaw Trust c/o Jerry Prokaski, Bob Fox, Ken Samples 120 S. LaSalle Street, Suite 1600 Chicago, IL 60603 (Robert J. Fox, trustee)	910,466	318,664	591,
Dr. Mark V. Wadsworth 520 Manzanita Ave. Sierra Madre, CA 91024	17,663	6,183	11
Ms. Diane R. Williams 3740 Saints Ct. Colorado Springs, CO 80904	39,885(6)	6,183	33,7

Mr. Ronald J. Wood 11420 Salem Ct. Peyton, CO 80831	1,767	619	1

* Less than 1 percent

(1) Represents shares held by Morgan L. Fitch, Jr. Revocable Trust, 4640 Clausen Ave., Western Springs, IL 60558 (Morgan L. Fitch, trustee).
(2) Includes 4,444 shares issuable upon exercise of options.
(3) Includes 22,222 shares issuable upon exercise of options.
(4) Includes 33,333 shares issuable upon exercise of options.
(5) Includes 683,611 shares issuable upon exercise of options.
(6) Includes 22,222 shares issuable upon exercise of options.

The selling security holders received as part of our merger with Q-DOT Group the shares of Simtek common stock that we are registering. Under the merger agreement, Q-DOT Group merged with and into us and Q-DOT Group, Inc., by virtue of the merger, became a wholly owned subsidiary of us. Although duly notified of their appraisal rights, no Q-DOT Group stockholders exercised appraisal rights. Q-DOT Group's 30 stockholders received, on a pro rata basis, a total of 5,171,131 shares of our common stock. The transaction was valued at $4 million. The transaction closed on March 14, 2001, on which date we had received all consideration for our common stock. The transaction was a private placement exempt from registration pursuant to Rule 506 of Regulation D promulgated by the SEC. There were fewer than 35 purchasers of our securities, of whom 12 were accredited investors. We provided each purchaser with the information required under Regulation D. We reasonably believed that each purchaser, either alone or with a purchaser representative, was capable of evaluating the risks and merits of investing in Simtek stock. To the best of our knowledge, no general solicitation or advertising occurred. Following the merger, we filed a Form D with the SEC as required by Regulation D.

Mr. Douglas Mitchell, our Chief Executive Officer, President, Chief Financial Officer (acting), and one of our directors, served as a director and stockholder of Q-DOT Group immediately prior to the merger. Mr. Mitchell owned 49,386 shares of our common stock (excluding stock options) on the date of this prospectus and, following the offering and sale of 15,536 shares, he will own 33,850 shares, or less than 1% of our common stock.

SPECIFIC RELATIONSHIPS AND RELATED TRANSACTIONS

Our president and director, Douglas Mitchell was also a director of Q-DOT Group prior to our acquisition of Q-DOT Group. Mr. Mitchell disclosed all material facts as to his conflict of interest in the acquisition. The board of directors determined that the acquisition was fair to us and in our best interest. Mr. Mitchell abstained from the vote of the Q-DOT Group and Simtek board of directors decision to approve the acquisition. At the time of acquisition, Mr. Mitchell owned approximately 1% of the Q-DOT Group shares and he received 44,386 shares of our common stock in connection with our acquisition of Q-DOT Group, pro rata with the terms that all of the other Q-DOT Group shareholders'.

On May 9, 2000, we entered into a stock exchange agreement with Mr. Hugh N. Chapman pursuant to which we acquired Integrated Logic Systems. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview of Acquisitions and Other Transactions." At the time of the acquisition, Mr. Chapman was not a holder of 5% of our stock. As a result of the acquisition, however, Mr. Chapman became a holder of 5% of our outstanding stock and as of the date of this prospectus holds approximately 5.71% of our stock. Incident to the acquisition, we entered into an "at will" employment agreement with Mr. Chapman, terminable by either party at any time with or without cause. The employment agreement provides for an annual salary of $70,000, Simtek's standard benefits and options to purchase Simtek stock at $1.203 per share, which is approximately 4% greater than the closing price of our stock on the day of grant, and with other terms and conditions the same as for options granted to our employees. We believe that the terms of our transactions with Mr. Chapman were no less favorable to us than we could have obtained from unrelated parties.

DESCRIPTION OF SECURITIES

COMMON STOCK

We are authorized to issue 80,000,000 shares of common stock, par value $0.01 per share. Each share of common stock entitles the holder thereof to one vote on all matters submitted to a vote of the shareholders. Holders of common stock do not have preemptive rights or rights to convert their common stock into other securities. Holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefor. In the event of our liquidation, dissolution or winding up, holders of the common stock have the right to a ratable portion of the assets remaining after payment of liabilities.

PREFERRED STOCK

Our Articles of Incorporation authorize 2,000,000 shares of $1.00 par value preferred stock. The board of directors has the authority to issue preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any series and the designation of such series, without further vote or action by the shareholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of us without further action by the shareholders and may adversely affect the voting power and other rights of the holders of common stock, including the loss of voting control to others. As of the date of this prospectus, there are not shares of preferred stock outstanding.

PLAN OF DISTRIBUTION

These shares are being offered hereby for sale by twenty nine of our shareholders who received these shares in a unregistered transaction. These shares will be offered by the selling shareholders from time to time (i) on the over-the-counter market, where the common stock is traded, or elsewhere, at fixed prices which may be changed, at market prices prevailing at the time of offer and sale, at prices related to such prevailing market prices or at negotiated prices and (ii) in negotiated transactions, through the writing of options on the shares, or a combination of such methods of sale. The selling shareholders may effect such transactions by offering and selling the shares

directly or to or through securities broker-dealers, and such broker-dealers may receive compensation in the form of discounts, concessions or commissions from the selling shareholders and/or the purchasers of the shares for whom such broker-dealers may act as agent or to whom the selling shareholders may sell as principal, or both (which compensation as to a particular broker-dealer might be in excess of customer commissions).

The selling shareholders and any broker-dealers who are in connection with the sale of the shares hereunder may be deemed to be "underwriters" within the meaning of Section 2(11) of the Securities Act, and any commissions received by them and profit on any resale of the shares as principal might be deemed to be underwriting discounts and commissions under the Securities Act.

We have advised the selling shareholders that they and any securities broker-dealers or others who may be deemed to be statutory underwriters will be subject to the prospectus deliver requirements under the Securities Act. We have also advised the selling shareholders that in the event of a "distribution" of shares, any "affiliated purchasers," and any broker-dealer or other person who participates in such distribution may be subject to Regulation M under the Exchange Act until his or its participation in that distribution is completed. A "distribution" is defined in Rule 101 of Regulation M as an offering of securities "that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods." Regulation M makes it unlawful for any person who is participating in a distribution to bid for or purchase stock of the same class as is the subject of the distribution.

LEGAL MATTERS

The validity of the shares offered hereby will be passed by Holme Roberts & Owen LLP, Denver, Colorado.

EXPERTS

The financial statements of Simtek Corporation as of December 31, 2000 and for the years ended December 31, 2000 and December 31, 1999 included within this Prospectus have been so included in reliance on the report of Hein + Associates LLP, independent auditors, given on the authority of said firm as experts in auditing and accounting.

AVAILABLE INFORMATION

We are subject to the information requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly, we file reports, proxy statements and other information with the Securities and Exchange Commission. You may inspect our reports, proxy statements and other information without charge at the public reference facilities of the Commission's principal office at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and 7 World Trade Center, Suite 1300, New York, NY 10048. You may also obtain

copies there at the prescribed rates. You may obtain information on the operation of the Commission's public reference facilities by calling the Commission in the United States at 1-800-SEC-0330. The Commission also maintains a web site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

We have filed with the Commission, a registration statement on Form SB-2 under the Securities Act of 1933, as amended (the"Securities Act"), with respect to the common stock we are offering (the "registration statement"). This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information about us and the common stock offered, you should refer to the registration statement, including the exhibits and schedules thereto, which may be inspected at, and copies thereof may be obtained at prescribed rates from, the public reference facilities of the Commission at the addresses set forth above.

SIMTEK CORPORATION

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Shareholders
Simtek Corporation
Colorado Springs, Colorado

We have audited the accompanying consolidated balance sheet of Simtek Corporation and subsidiary as of December 31, 2000 and the related statements of operations, changes in shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Simtek Corporation as of December 31, 2000, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2000, in conformity with general accepted accounting principles.

/s/ Hein + Associates LLP
HEIN + ASSOCIATES LLP

Denver, Colorado
February 5, 2001, except for restatements as a result of the pooling of interests of Q-DOT, Inc. as described in Note 2, for which the date is March 13, 2001

CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2000

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 2,853,769
Certificate of deposit, restricted	300,000
Accounts receivable - trade, net of allowance for doubtful accounts and return allowances of $177,098	1,775,864
Inventory	1,130,629
Prepaid expenses and other	175,955
Total current assets	6,236,217
EQUIPMENT AND FURNITURE, net	888,296
OTHER ASSETS	163,472
TOTAL ASSETS	$ 7,287,985

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 1,085,370
Accrued expenses	532,964
Accrued wages	302,097
Accrued vacation payable	103,476
Line of credit	84,050
Current portion of notes payable	34,809
Obligation under capital leases	47,344
Total current liabilities	2,190,110
NOTES PAYABLE	20,000
OBLIGATIONS UNDER CAPITAL LEASES, NET OF CURRENT PORTION	153,670
Total liabilities	2,363,780
COMMITMENTS (Note 6)	
SHAREHOLDERS' EQUITY:	
Preferred stock, $1.00 par value; 2,000,000 shares authorized, none issued	-
Prepaid investor relations	(730,433)
Common stock, $.01 par value; 80,000,000 shares authorized, 53,634,245 shares issued and outstanding	536,342
Additional paid-in capital	37,497,590
Accumulated deficit	(32,379,294)
Total shareholders' equity	4,924,205
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 7,287,985

See accompanying notes to these consolidated financial statements.

SIMTEK CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE DEC
	2000
NET SALES	$14,467,814
Cost of sales	8,423,529
GROSS MARGIN	6,044,285
OPERATING EXPENSES:	
Research and development costs	6,158,189
Sales and marketing	1,170,305
General and administrative	2,152,593
Total operating expenses	9,481,087
INCOME (LOSS) FROM OPERATIONS	(3,436,802)
OTHER INCOME (EXPENSE):	
Interest income	165,736
Interest expense	(77,234)
Equity in losses of QDA and write off of related advances	(194,662)
Other income (expense)	2,620
Total other income (expense)	(103,540)
NET LOSS BEFORE PROVISION FOR INCOME TAXES	$(3,540,342)
Provision for income taxes	-
NET LOSS	$(3,540,342)
NET LOSS PER COMMON SHARE:	
Basic and diluted EPS	$ (.07)
WEIGHTED AVERAGE COMMON SHARE OUTSTANDING:	
Basic and diluted EPS	48,337,167

*Less than $.01 per share.

See accompanying notes to these consolidated financial statements.

SIMTEK CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	Common Stock		Additional Paid-in	Prepaid Investor
	Shares	Amount	Capital	Relations
BALANCES, January 1, 1999	38,166,957	$381,669	$30,349,288	$ -
Contributions	-	-	202,752	-
Exercise of stock options	210,000	2,100	32,166	-
Sale of common stock	-	-	23,145	-
Stock issued for directors fees	-	-	14,499	-
Net loss	-	-	-	-
BALANCES, December 31, 1999	38,376,957	383,769	30,621,850	-
Exercise of stock options	1,863,016	18,630	278,437	-
Webgear purchase	4,150,000	41,500	4,046,146	-
Conversion of debt	8,244,272	82,443	1,488,959	-
Stock issuance for services	1,000,000	10,000	1,021,200	(730,433
Contributions	-	-	16,103	-
Sale of common stock	-	-	1,963	-
Stock issued for directors fees	-	-	6,734	-
Stock issued for compensation	-	-	16,198	-
Adjustment for net income during the three month period ended March 31, 2000 (Note 2)	-	-	-	-
Net loss	-	-	-	-
BALANCES, December 31, 2000	53,634,245	$536,342	$37,497,590	$(730,433

See accompanying notes to these consolidated financial statement

SIMTEK CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS E DECEMBER 31
	2000

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(3,540,342)	$
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	430,962	
Stock issuance for services	22,932	
Webgear purchase of incomplete research and development	3,962,645	
Contributed service	-	
Unrealized gain of securities	-	
Net change in allowance accounts	196,407	
Deferred financing fees	1,865	
Deferred income taxes	-	
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(152,364)	
Inventory	(85,270)	
Investments	-	
Prepaid expenses and other	174,311	
Increase (Decrease) in:		
Accounts payable	(39,689)	
Accrued expenses	44,371	
Customer deposits	(53,010)	
Net cash provided by operating activities	962,818	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase/Sales of equipment and furniture, net	(381,165)	
Decrease (increase) in certificate of deposit, restricted	100,000	
Advances to equity investment	14,606	
Net cash used in investing activities	(266,559)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligation	(40,644)	
Borrowings from line-of-credit and the issuance of a note	908,231	1
Payments on lines of credit	(1,133,000)	(1
Payments on notes payable	(136,135)	
Exercise of stock options	297,067	
Sale of common stock	1,963	
Contributions	16,103	
Net cash provided by (used in) financing activities	(86,415)	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	609,844	
CASH AND CASH EQUIVALENTS, beginning of year	2,243,925	2
CASH AND CASH EQUIVALENTS, end of year	$2,853,769	$2

See accompanying notes to these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(cont.)

SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	$ 77,435	$
Cash paid (refund of) for income taxes	$ 14,200	$
NONCASH INVESTING AND FINANCING TRANSACTIONS:		
Conversion of debenture into shares of common stock, net of deferred Financing costs related to debenture	$1,441,249	$
Conversion of payable to ZMD into shares of common stock	$ 130,153	$
Purchase of equipment through payables and capital leases	$ -	$
Issuance of stock for prepaid services	$ 730,434	$
Issuance of stock for patents and trademarks	$ 118,750	$

See accompanying notes to these consolidated financial statements.

SIMTEK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES:

NATURE OF BUSINESS OPERATIONS - Simtek Corporation (the "Company") designs, develops, markets and subcontracts the production of high performance nonvolatile semiconductor memories and programmed semiconductor logic products. The Company's operations have concentrated on the design and development of the 256 kilobit, 64 kilobit, and 16 kilobit nonvolatile semiconductor memory product families and associated products and technologies as well as the development of sources of supply and distribution channels. The Company also provides electronics engineering research and development contracts.

POOLING OF INTERESTS - On March 13, 2001, Simtek acquired 100% of the common stock of Q-DOT Group ("Q-DOT'). Q-DOT specializes in advanced technology, research, and development for data acquisition, signal processing, imaging and data communications. Shareholders of Q-DOT exchanged their shares in Q-DOT for shares in Simtek in a business combination that has been accounted for as a pooling of interests. The consolidated financial statements and the accompanying notes reflect Simtek's financial position and the results of operations as if Q_DOT was a wholly-owned subsidiary of Simtek since inception. Prior to the acquisition, Q-DOT had a fiscal year end of March 31. The adjustment for

the change in the year-end is reflected in the current period statement of stockholders' equity (see Note 2).

CONSOLIDATION POLICY - The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Q-DOT. The Company holds 1% interest in QD Acoustics, LLC (QDA) but has effective control over it due to an operating agreement which gives the Company control of all operational decisions. In addition, all losses of QDA are allocated to the company and net profits are allocated first to the Company to the extent of any previous allocations of losses. Any additional profits of QDA are allocated prorata based on percentage of ownership. The other major shareholders of QDA are minor shareholders of the Company. QDA is accounted for by the equity method of accounting.

REVENUE RECOGNITION SEMICONDUCTOR PRODUCTS - Product sales revenue is recognized when a valid purchase order has been received and the products are shipped to customers, including distributors. Customers receive a one-year product warranty and sales to distributors are subject to a limited product exchange program and product pricing protection in the event of changes in the Company's product price. The Company provides a reserve for possible product returns, price changes and warranty costs at the time the sale is recognized.

REVENUE RECOGNITION GOVERNMENT CONTRACTS - Revenues from cost-plus-fee contracts are recognized on the basis of costs incurred during the period plus the fee earned. Revenues from fixed-price contracts are recognized on the percentage-of-completion method. The percentage-of-completion is measured by the total costs incurred to date to estimated total costs for each contract. This method is used because management considers costs incurred to be the best available measure of progress on these contacts. Because of inherent uncertainties in estimating costs, it is reasonably possible that the estimates used will change within the near term.

CONTRACT REVENUES AND RELATED COSTS - Substantially all of Q-DOT revenues result from contract services performed for the various agencies of United States Government (the "Government") under a variety of contracts and subcontracts, some of which provide for reimbursement of costs-plus-fees, and others which are fixed-price. The majority of the contracts are for services performed in Colorado. For some services rendered on Government contracts which the time between providing the services and the final cash realization from the sale of such services may extend two or more years.

Costs on contracts with the government (including allocable indirect costs) are subject to audit and adjustment by negotiations between the Company and Government representatives. Costs submitted for reimbursement are subject to Government audits for compliance with government costs accounting standards, federal acquisitions regulations and other contract terms. Negotiations for all of the years through March 31, 1997 have been completed without any material adjustments. Management does not believe the results of the March 31, 1998, March 31, 1999, March 31, 2000 and December 31, 2000 Government audits and subsequent negotiations will have a material effect on the accompanying financial statements.

Direct costs of contracts include all direct labor, supplies, and equipment costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability and final contract settlements may result in revisions to costs and income and are recognized in the period in which the revisions are determined.

At the time a loss on a contract becomes known, the entire amount of the estimated loss on both short and long-term contracts is accrued.

CASH AND CASH EQUIVALENTS - The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2000, substantially all of the Company's cash and cash equivalents were held by a single bank, of which approximately $2,894,630 was in excess of Federally insured amounts.

INVENTORY - The Company records inventory using the lower of cost (first-in, first-out) or market. Inventory at December 31, 2000 includes:

Raw materials	$ 177,947
Work in process	872,948
Finished goods	176,398
	1,227,293
Less reserves	(96,664)
	$1,130,629

DEPRECIATION - Equipment and furniture are recorded at cost. Depreciation is provided over the assets' estimated useful lives of three to seven years using the straight-line and accelerated methods. The cost and accumulated depreciation of furniture and equipment sold or otherwise disposed of are

removed from the accounts and the resulting gain or loss is included in operations. Maintenance and repairs are charged to operations as incurred and betterments are capitalized.

RESEARCH AND DEVELOPMENT COSTS - Research and development costs are charged to operations in the period incurred.

ADVERTISING - The Company incurs advertising expense in connection with the marketing of its product. Advertising costs are expensed as advertising takes place. Advertising expense was $87,672 and $94,936 in 2000 and 1999, respectively.

LOSS PER SHARE - The loss per share is presented in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share. SFAS No. 128 replaced the presentation of primary and fully diluted earnings (loss) per share (EPS) with a presentation of basic EPS and diluted EPS. Basic EPS is calculated by dividing the income or loss available to common shareholders by the weighted average number of common

shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. As the Company incurred losses in 1999 and 2000, all common stock equivalents would be considered anti-dilutive. For purposes of calculating diluted EPS, 2,817,722 and 1,337,750 options for 2000 and 1999, respectively, were excluded from diluted EPS as they had an anti-dilutive effect. The convertible debentures also had an anti-dilutive effect on 1999 and were, therefore, excluded from the computation of diluted EPS.

ACCOUNTING ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates. The Company's financial statements are based upon a number of estimates, including the allowance for doubtful accounts, technological obsolescence of inventories, the estimated useful lives selected for property and equipment, sales returns, warranty reserve, percentage of completion on projects in process at year-end, and the valuation allowance on the deferred tax assets. Due to the uncertainties inherent in the estimation process, it is at least reasonably possible that the estimates for these items could be further revised in the near term and such revisions could be material.

FINANCIAL INSTRUMENTS - The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The carrying amounts of the accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short-term maturities of these instruments. The fair value of notes payable approximates their carrying value as generally their interest rates reflect the Company's current effective annual borrowing rate.

CONCENTRATION OF CREDIT RISK - Financial instruments that potentially subject the Company to significant considerations of credit risk consist primarily of accounts receivable. The Company has no significant off-balance sheet concentrations of credit risk. Accounts receivable are typically unsecured and are derived from transactions with and from customers located in the United States.

IMPAIRMENT OF LONG-LIVED ASSETS - In the event that facts and circumstances indicate that the cost of assets or other assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required.

STOCK-BASED COMPENSATION - As permitted under the SFAS No. 123, Accounting for Stock-Based Compensation, the Company accounts for its stock-based compensation in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. As such, compensation expense is recorded on the date of grant if the current market price of the underlying stock exceeds the exercise price. Certain

pro forma net income and EPS disclosures for employee stock option grants are also included in the notes to the financial statements as if the fair value method as defined in SFAS No. 123 had been applied. Transactions in equity instruments with non-employees for goods or services are accounted for by the fair value method. In fiscal 2000, the Company adopted the Financial Accounting Standards Board Interpretation No. 44 which requires that outside directors be considered employees for purposes of stock option accounting, if the Company is accounting for its employee stock-based compensation in accordance with APB 25. It also affects modifications to fixed stock options or awards that effects the life, exercise price, or the number of shares to be issued. The adoption of this interpretation did not have a material effect on the Company's consolidated financial statements.

INCOME TAXES - The Company accounts for income taxes under the liability method of SFAS No. 109, whereby current and deferred tax assets and liabilities are determined based on tax rates and laws enacted as of the balance sheet date. Deferred tax expense represents the change in the deferred tax asset/liability balance. Valuation allowances are recorded for deferred tax assets that are not expected to be realized.

BUSINESS SEGMENTS - The Company has adopted Statement of Accounting Standards No. 131, Disclosures About Segments of an Enterprise and Related Information ("SFAS 131"), which established standards for the way companies report information about their operating segments. Prior period amounts have been restated to conform to the requirements of this new statement.

RECLASSIFICATIONS - Certain reclassifications have been made to conform the December 31, 2000 financial statements to subsequent 2001 interim financial reporting. Such reclassifications had no effect on net loss for fiscal 2000.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS -SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued in June 1998. This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for the Company's financial statements for the year ended December 31, 2001 and the adoption of this standard is not expected to have a material effect on the Company's financial statements.

In December 1999, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements. SAB 101 establishes guidelines in applying generally accepted accounting principles to the recognition of revenue in financial statements based on the following four criteria; persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the seller's price to the buyer is fixed or determinable, and collectibility is reasonably assured. SAB 101, as amended , was effective no later than the fourth fiscal quarter of the Company's fiscal year ending year 2000. The adoption of SAB 101 did not have a material effect on its financial

position or result of operations.

2. ACQUISITIONS:

On May 9, 2000, Simtek Corporation acquired 100% of the outstanding stock of Integrated Logic Systems Incorporated (Integrated Logic) which designs and sells metal gate array integrated circuits in Colorado Springs, Colorado for common stock (3,000,000 shares) with a market value at the date of issuance of $3.75 million. The acquisition was accounted for as a pooling of interests, and the results of the Integrated Logic business have been combined with those of Simtek Corporation, as if the two businesses had been merged throughout the periods presented.

The following is Integrated Logic's operating results for the period from January 1, 2000 to May 9, 2000 which has been included in the Company's results of operations for the year ending December 31, 2000:

Revenue	$ 279,585
Expenses	(233,763)
Net	$ 45,822

On July 31, 2000, Simtek Corporation acquired 100% of the outstanding stock of Macrotech Semiconductor, Inc. (Macrotech) which is involved in the design, development and production of gate array integrated circuits and related services in San Jose, California for common stock (1,250,000 shares) with a market value at the date of issuance of $1.76 million. The acquisition was accounted for as a pooling of interests, and the results of the Macrotech business have been combined with those of Simtek Corporation, as if the two businesses had been merged throughout the periods presented.

The following is Macrotech's operating results for the period from January 1, 2000 to July 31, 2000 which has been included in the Company's results of operations for the year ending December 31, 2000:

Revenue	$ 291,835
Expenses	(248,508)
Net	$ 43,327

On March 13, 2001, the Company acquired Q-DOT in exchange for approximately 5,172,000 shares of our Common Stock. Q-DOT specializes in advanced technology research and development for data acquisition, signal

processing, imaging and data communications. Q-DOT will be operated as a wholly owned subsidiary of Simtek for its government contract research and development operations. The acquisition has been accounted for as a pooling of interest, and the results of Q-DOT have been consolidated with those of Simtek as if the two businesses had been merged throughout the periods presented.

Q-DOT had a March 31, fiscal year-end and, accordingly, the Q-DOT statements of operations for the year ended March 31, 2000 have been combined with the Company's statements of operations for the fiscal year ended December 31, 1999. In order to conform Q-DOT's March 31 year-end to the Company's December 31, year-end, the consolidated statement of stockholders' equity was adjusted for the $136,929 for the operations from January 1, 2000 to March 31, 2000, which are included in the consolidated statements of operations in both the years ended December 31, 1999 and 2000. The following is a summary of operating results for that period:

Revenue	$ 923,632
Expenses	(786,703)
Net income	$ 136,929

Separate revenues and net income of the Company, Integrated Logic Systems, Macrotech Semiconductors, Inc. and Q-DOT Group, Inc. are presented in the following table:

	2000	1999
Revenue:		
Simtek Corporation	$11,579,330	$ 6,992,388
ILSI	279,585	703,588
Macrotech	291,835	58,976
Q-DOT	2,317,064	3,413,672
Revenue, as reported	$14,467,814	$11,168,624
Net Income (Loss):		
Simtek Corporation	$(3,467,975)	$ 132,255
ILSI	45,821	(68,224)
Macrotech	43,327	(213,501)
Q-DOT	(161,515)	26,544
Net (loss) as reported	$(3,540,342)	$ (122,926)

The pooling of ILSI and Macrotech during the year ended December 31, 2000 and the subsequent pooling of Q-DOT on March 13, 2001(Unaudited) decreased the loss per share by $.02 for the year ending December 31, 2000 and had no effect on 1999 earnings per share.

SIMTEK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. EQUIPMENT AND FURNITURE:

Equipment and furniture at December 31, 2000 consists of the following:

Leased software under capital leases	$ 255,573
Research and development equipment	1,622,860
Computer equipment and software	1,808,613
Office furniture	248,709
Other equipment	135,644
	4,071,399
Less accumulated depreciation and amortization	(3,183,103)
	$ 888,296

The cost of equipment and furniture acquired for research and development activities that has alternative future use is capitalized and depreciated over its estimated useful life.

Depreciation and amortization expense of $430,962 and $391,718 was charged to operations for the years ended December 31, 2000 and 1999, respectively. Included in the amortization expense for 2000 and 1999 was $51,120 and $17,040, respectively, of amortization of software under capital leases. At December 31, 2000, accumulated amortization for software under capital leases was $68,160.

4. REVOLVING LINE-OF-CREDIT AND LETTER-OF-CREDIT:

As of December 31, 2000, the Company had a $250,000 revolving line-of-credit (LOC), a reduction of $100,000 since December 31, 1999. The LOC bears interest at prime plus .75% (9.5% at December 31, 2000) and matures in March 2001. At December 31, 2000, the Company had no balance outstanding. As of December 31, 2000, the Company had a second revolving bank line of credit that expires February 1, 2001. At December 31, 2000, the Company had $84,050 outstanding against this line of credit. Interest is payable monthly and accrues at 10.25% annually.

The Company also has a note payable of $34,809 with the bank that bears interest at prime plus 1%. The note is payable in monthly installments of $2,083, plus interest, through June 30, 2002. Future payments on this note payable are as follows: 2001 - $24,996; 2002 - $9,813.

Borrowings outstanding under these loan agreements are collateralized by all of the Company's assets. The Company has certain covenants in connection with these loans. The Company was not in compliance at December 31, 2000 and 1999 with certain covenants. Therefore, all bank borrowings are classified as current, as the bank could demand repayment if the non compliance is not cured. Subsequent to year end these notes were paid off.

Interest Expense for fiscal 2000 and 1999 was $77,234 and $172,424, respectively.

The Company has a letter of credit arrangement with one of the Company's suppliers which requires the Company to maintain a $300,000 certificate of deposit as collateral, which is reflected as restricted cash.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. CONVERTIBLE DEBENTURES:

During June 1998, the Company received proceeds of $1,500,000 from the issuance of convertible debentures (the "Debentures"). The Debentures were convertible into shares of common stock of the Company. After a one-time conversion price adjustment calculated pursuant to the original agreement, the debentures conversion price changed from $.35 per share to $.195 per share in May 1999. In February 2000, the entire $1,500,000 of convertible debt was converted into 7,692,308 shares of common stock of the Company at the conversion rate of $.195 per share.

6. COMMITMENTS:

OFFICES LEASES - The Company leases office space under a lease, which expires on December 31, 2001. Monthly lease payments are approximately $12,000 (not including CAM charges). The Company has moved where monthly lease payments will be approximately $14,000. The new lease agreement effective March 1, 2001 to February 28, 2008 requires the new landlord to begin paying all costs related to the old location starting on March 1, 2001.

Through the acquisition of Q-DOT, the Company has non-cancelable long-term lease agreements for office space, office furnishings and equipment that expire at various dates through April 2005. A facility lease and the equipment leases contain an option to extend the leases for an additional one-year period.

The Company leases furniture, equipment, and its office under operating leases, which expire over the next seven years.

Future minimum lease payments under the equipment, furniture and office leases described above are approximately as follows:

Year	
2001	$ 384,262
2002	328,368
2003	342,701
2004	354,125
2005 & After	715,719
	$2,125,175

Office rent and equipment lease expense totaled $733,645 and $641,693 for the years ended December 31, 2000 and 1999, respectively.

In addition, the Company leases research and development software under a capital lease, which will expire over the next five years. At December 31, 2000, future minimum lease payments under the lease described above is approximately as follows:

Year	
2001	$ 63,888
2002	63,888
2003	63,888
2004	47,916
Total net minimum lease payments	239,580
Less amount representing interest	(38,566)
Present value of net minimum lease payments	$ 201,014

ACCRUED SALARY - Due to limited working capital of the Company, the Company's former CFO agreed with the Company's Board of Directors to defer his salary from April 1, 1994 through December 31, 1996. As of December 31, 2000, a total of $210,000 was accrued and unpaid.

7. SHAREHOLDERS' EQUITY:

In 1999, the shareholders' of Macrotech, which was acquired by Simtek in 2000 and accounted for as a pooling of interest, contributed $70,000 in services and paid for $132,000 of Marcotech's expenses. In 2000, shareholders' of Macrotech contributed $16,103 in services prior to the acquistion.

In February and March 2000, Renaissance Capital Group of Dallas, Texas ("Renaissance") converted the $1,500,000 debenture established in June 1998 into 7,692,308 shares of the Simtek Common Stock.

During April, 2000, as significant shareholder of the Company (ZMD) converted $130,153 liability into 551,964 shares of common stock of the Company.

On May 9, 2000, the Company acquired Integrated Logic. The Company issued 3,000,000 shares of its common stock in exchange for all outstanding shares of all classes of Integrated Logic stock. Integrated Logic designs and sells programmed semiconductor logic products. The Company purchased approximately $30,000 of product from Integrated Logic in the year preceding the acquisition. The acquisition was accounted for as a pooling of interest, and the results of Integrated Logic have been consolidated with the Company's, as if the two had been merged throughout the periods presented.

On June 16, 2000, the Company acquired 1,875,000 shares of the common stock of WebGear, Inc., in return for 1,250,000 shares of Simtek's common stock. On September 29, 2000, the Company purchased incomplete research and development, patents and certain trademarks from WebGear, Inc. The original contract price for the incomplete research and development totaled the 1,875,000 shares of WebGear, Inc. stock plus 3,400,000 shares of our common

SIMTEK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

stock of which 500,000 were held in escrow based on WebGear, Inc. fulfilling all obligations under the contract. In December 2000, WebGear, Inc. defaulted on one condition of the contract, thus forcing them to relinquish the 500,000 escrow shares of Simtek's common stock which reduced the shares issued to 2,900,000 of our common stock.

On July 31, 2000, the Company acquired Macrotech. The Company issued 1,250,000 shares of our common stock in exchange for all outstanding shares of all classes of Macrotech stock. Macrotech designs and sells programmed semiconductor logic products, which are an extension of the programmed semiconductor logic products that Integrated Logic manufactures. The acquisition was accounted for as a pooling of interest, and the results of Macrotech have been consolidated with Simtek's, as if the two had been merged throughout the periods presented.

On September 14, 2000, the Company entered into a one-year contract with two investment bankers, E.B.M. Associates, Inc. and World Trade Partners. Each company has received 500,000 shares of common stock, which were nonforfeitable and fully vested upon issuance on September 14, 2000, the grant date. Both companies will assist the Company in broadening our financial market presence and establishing new relationships within the industry, investment community and financial media, by arranging meetings for our management with industry analysts, presenting company profiles to analysts and brokerage firms, mailings and constant personal communication with investors. E.B.M. Associates Inc. supports these activities primarily in retail investment markets, while World Trade Partners supports these activities primarily in institutional markets. E.B.M. Associates and World Trade Partners cooperate to coordinate their activities. On September 14, 2000, the closing share price for the Company's common stock was $ 1.0312 per share and accordingly $1,031,000 was assigned to prepaid investor relations. The cost associated with this transaction is being amortized over the life of the contract, of which approximately $301,000 was expensed in 2000. The balance will be expensed over the term of the contract, ending in the third quarter of 2001.

On September 29, 2000, the Company purchased incomplete research and development, patents and certain trademarks from WebGear, Inc. The incomplete research and development consists of hardware and software developed for wireless data communications that needs to be modified for use with the Bluetooth technology standard. The Company originally issued 3,400,000 shares of our common stock which was amended in December 2000 to 2,900,000 by the return of 500,000 shares of common stock which were previously held in escrow. The Company also returned to WebGear, Inc. the 1,875,000 shares of WebGear, Inc. common stock that Simtek acquired from WebGear, Inc. on June 16, 2000. On September 29, 2000, the closing price of Simtek's common stock was $0.8438 per share. The Company has valued the purchased patents and trademarks at $125,000, which was capitalized and recorded as intangible assets. The Company has valued the incomplete research and development acquired from WebGear, Inc. at $3,962,646, which was expensed immediately.

The discounted cash flow method was used to value the in-process technology acquired. A ten year life and a 27.5% discount rate were used for valuation. Calculations assumed revenues from products developed from the incomplete research and development would commence in late 2001 and that

gross margins could be sustained at an average 50% over the projected

product lives. The Company has assumed that operating costs would follow the normal percentage of revenue rates that the Company has established over the past five years. WebGear developed a wireless networking product that operates with a 900 MHz narrow-band radio and uses protocol conversion techniques, firmware and software which are similar to the requirements to implement Bluetooth bridging technology. These will be used as base-line technologies to implement our integrated circuits, along with system architecture definitions developed by WebGear that include hardware descriptions and software protocol stacks. The Company estimates that we will invest approximately $750,000 in further development costs to bring the first product to market. Samples are scheduled for the second half of 2001 with production within 3 months of sampling. The Company estimates that the use of the purchased incomplete research and development accomplishes two-thirds of the product development required for sampling and management of the Company believes they have an 80% probability of technical success. There is technical risk as the Bluetooth industry standards organization is modifying and upgrading the specification and potential market delays as major Bluetooth product suppliers implement the standard in consumer products.

On March 13, 2001, the Company acquired Q-DOT in exchange for approximately 5,172,000 shares of Simtek's common stock. Q-DOT specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications. Q-DOT's projects have been supported by conventional government and commercial contracts in addition to government contacts sponsored by the Small Business Innovation Research (SBIR) contracts. Q-DOT will be operated as a wholly owned subsidiary of Simtek for its government contract research and development operations. The acquisition will be accounted for as a pooling of interest, and the results of Q-DOT will be consolidated with Simtek's as if they had been merged throughout the periods.

STOCK OPTION PLANS - The Company has approved two stock option plans that authorize an aggregate of 7,000,000 shares for stock options that may be granted to directors, employees, and consultants. Subsequently, on January 2, 2001, the Company authorized an additional 2,000,000 shares that can be issued under the stock option plans. The plans permit the issuance of incentive and non-statutory options and provide for a minimum exercise price equal to 100% of the fair market value of the Company's common stock on the date of grant. The maximum term of options granted under the plans is 10 years and options granted to employees expire three months after the termination of employment. None of the options may be exercised during the first six months of the option term. No options may be granted after 10 years from the adoption date of each plan. The Incentive Stock Option Plan was adopted in 1991, and the Non-Qualified Stock Option Plan was adopted in 1994.

SIMTEK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Following is a summary of activity under these stock option plans for the years ended December 31, 2000 and 1999:

	2000		1999	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Wei Av Exe P
Outstanding, beginning of year	4,182,486	$ .20	4,137,736	$
Granted	1,036,750	.97	296,750	
Expired	(81,000)	(.17)	(42,000)	
Exercised	(1,863,016)	(.16)	(210,000)	
Canceled	(137,498)	(.37)	-	
Outstanding, end of year	3,137,722	$ .47	4,182,486	$

All options granted during 2000 and 1999, were at the current market price and the weighted average fair value was $.77 and .14, respectively. At December 31, 2000, options for 2,226,979 shares were exercisable and of the remaining options of 456,583, 327,250, and 126,910 shares will become exercisable in 2001, 2002, and 2003, respectively.

If not previously exercised or forfeited, options outstanding at December 31, 2000, will expire as follows:

Year Ending December 31,	Number of Shares	Weighted Average Exercise Price
2001	387,100	$ .14
2002	498,986	.14
2003	190,000	.17
2004	459,608	.33
2005	398,085	.37
2006	225,471	.17
2007	978,472	1.01
	3,137,722	$ .47

INCENTIVE STOCK OPTION PLAN - At the time of the acquisition of Q-DOT, Q-DOT had an Incentive Stock Option Plan for the benefit of its employees.

At December 31, 2000, Q-DOT had granted options to purchase 7,380 shares of its stock. At the time of closing, these options converted into 130,350 options to purchase Simtek Common Stock. These options have not been included in the above tables.

PRO FORMA STOCK-BASED COMPENSATION DISCLOSURES - The Company applies APB Opinion 25 and related interpretations in accounting for its stock options and warrants which are granted to employees. Accordingly, no compensation cost has been recognized for grants of options and warrants to employees since the exercise prices were not less than the market value of the Company's common stock on the grant dates. Had compensation cost been

determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, the Company's net income and EPS would have been reduced to the pro forma amounts indicated below.

	Year Ended December 31,	
	2000	1999
Net loss applicable to common shareholders:		
As reported	$(3,540,342)	$ (149,470)
Pro forma	(3,765,937)	(272,062)
Net loss per common shareholders:		
As reported - basic and diluted	$ (.07)	$ -
Pro forma - basic and diluted	(.07)	-

The fair value of each option granted in 2000 and 1999 was estimated on the date of grant, using the Black-Scholes option-pricing model with the following:

	Options Granted During	
	2000	1999
Expected volatility	127.0%	119.7%
Risk-free interest rate	5.5%	5.5%
Expected dividends	-	-
Expected terms (in years)	4.0	4.0

Other - Preferred Stock may be issued in such series and preferences as determined by the Board of Directors.

8. SIGNIFICANT CONCENTRATION OF CREDIT RISK, MAJOR CUSTOMERS, AND OTHER RISKS

AND UNCERTAINTIES:

Sales by location for the ended December 31, 2000 and 1999 were as follows (as a percentage of sales): 2000 1999

	2000	1999
United States	46%	63%
Europe	14%	11%
Far East	34%	25%
All Others	6%	1%
Total	100%	100%

Sales from government contracts accounted for approximately 15% and 33% of total sales for the years ended December 31, 2000 and 1999, respectively. Sales from our military products accounted for approximately 12% and 18% of total sales for the years ended December 31, 2000 and 1999, respectively.

Sales to unaffiliated customers which represent 10% or more of the Company's sales for the years ended December 31, 2000 and 1999 were as follows (as a percentage of sales):

Customer	2000	1999
A	18%	31%
B	-	13%
C	14%	-
D	10%	-
E	-	12%

At December 31, 2000, the Company had gross trade receivables totaling $898,020 due from the above three customers.

In 2000 and 1999, the Company purchased all of its memory wafers, based on 0.8 micron technology from a single supplier located in Singapore. Approximately 89% and 96% of the Company's memory sales for 2000 and 1999, respectively, were from finished units produced from these wafers. The Company had an agreement with this supplier to provide wafers, which expired in September 1998. This agreement has not been extended or terminated, however, this supplier still provides wafers to the Company. In addition, the Company purchased all of its logic wafers from two suppliers located in Singapore and Taiwan. Approximately 11% and 9% of its logic sales in 2000 and 1999, respectively, were from finished units produced from these wafers. The Company does not have an agreement with either supplier, however, the Company has not seen any disruption in wafer deliveries. In 1999, the Company also purchased finished units from ZMD for $22,480, and sales from these products accounted for approximately 4% of

the Company's sales in 1999. Any disruptions in the Company's relationships with these suppliers could have an adverse impact on the Company's operating results. Assuming an alternate manufacturer of the Company's products could be procured, management believes there could be significant delays in manufacturing while the manufacturer incorporates the Company's products and processes.

9. TAXES:

Under SFAS No. 109, deferred taxes result from temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The components of deferred taxes are as follows:

	Deferred Tax Assets (Liability)
Current:	
Allowance for doubtful accounts	$ 3,000
Inventory reserve	36,000
Accrued expenses	276,000
Net current deferred tax before valuation allowance	315,000
Valuation allowance	(315,000)
Total current deferred tax	$ -
Non-Current:	
Property and equipment	$ 205,000
Incomplete research and development	1,431,000
Net operating losses	10,126,000
R&D credit carryforward	1,200,000
AMT credit	8,000
Net non-current deferred tax asset before valuation allowance	12,970,000
Valuation allowance	(12,970,000)
Total non-current deferred tax asset	$ -

The net current and non-current deferred tax assets have a 100% valuation allowance resulting from the inability to predict sufficient future taxable income to utilize the assets. The valuation allowance for 2000 increased $91,000 and decreased $219,000 in 1999.

At December 31, 2000, the Company has approximately $27,000,000 available in net operating loss carryforwards which begin to expire from 2004 to 2015. As a result of certain non-qualified stock options which have been

exercised, approximately $3,200,000 of the net operating loss carryforward will be charged to "paid in capital," when, and if, the losses are utilized. Also, a substantial portion of the net operating loss may be subject to Internal Revenue Code Section 382 limitations.

Total income tax expense for 2000 and 1999 differed from the amounts computed by applying the U.S. Federal statutory tax rates to pre-tax income as follows:

	1999	1
Statutory rate	(34.0)%	(3
State income taxes, net of Federal income tax benefit	(3.3)%	(
Increase (reduction) in valuation allowance related to of net operating loss carryforwards and change in temporary differences	37.3%	3
	$ -	$

SIMTEK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. Business Segments

The Company has two reportable segments. One segment designs and produces semiconductor devices for sale into the semiconductor market. The second segment specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications that is supported by government and commercial contracts. Although both segments are managed as part of an integrated enterprise, they are reported herein in a manner consistent with the internal reports prepared for management.

Transactions between reportable segments are recorded at cost. Substantially all operating expenses are identified per each segment. Substantially all of the Company's assets are located in the United States of America.

Description	Year	Semiconductor Devices	Government Contracts	
Net sales	2000	$12,150,750	$ 2,317,064	$
	1999	7,754,952	3,413,672	
Income (loss) from Operations	2000	$(3,515,122)	$ 78,320	$

	1999	(100,685)	144,327	
Interest income	2000	$ 165,736	-	$
	1999	96,942	-	
Interest expense	2000	$ (52,790)	$ (24,444)	$
	1999	(151,402)	(21,022)	
Depreciation and amortization	2000	$ 307,837	$ 123,125	$
	1999	247,502	144,216	
Noncash items:				
Purchase of incomplete research and development	2000	$ 3,962,645	-	
	1999	-	-	
Stock issued for services	2000	$ 1,031,200	$ 22,932	
	1999	-	14,999	
Assets	2000	$ 6,786,593	$ 501,392	
	1999	5,508,380	955,128	

SIMTEK CORPORATION

BALANCE SHEET
(Unaudited)

ASSETS

	September 30, 2001
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,336,851
Certificate of deposit, restricted	300,000
Accounts receivable - trade, net	2,229,426
Inventory, net	1,604,769
Intercompany receivable	2,498
Prepaid expenses and other	102,372
Total current assets	5,575,916
EQUIPMENT AND FURNITURE, net	892,055
OTHER ASSETS	149,632
TOTAL ASSETS	$ 6,617,603

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 946,643
Accrued expenses	418,949
Accrued wages	215,010
Accrued vacation payable	145,635
Obligation under capital leases	50,694
Short term debt	16,062
Line of Credit	-
Deferred Revenue	15,000
Total current liabilities	1,807,993
NOTES PAYABLE	20,000
OBLIGATION UNDER CAPITAL LEASES	115,220
Total liabilities	1,943,213
SHAREHOLDERS' EQUITY:	
Preferred stock, $1.00 par value, 2,000,000 shares authorized and none issued and outstanding	-
Prepaid investor relations	-
Treasury Stock	(12,504)
Common stock, $.01 par value, 80,000,000 shares authorized, 53,728,245 shares issued and outstanding at September 30, 2001	537,282
Additional paid-in capital	37,509,725
Accumulated deficit	(33,360,113)
Shareholder's equity	4,674,390
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 6,617,603

SIMTEK CORPORATION

STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended September 30, 2001	2000
NET SALES	$ 13,170,094	$ 11,097,168
Cost of sales	9,085,025	6,584,396
GROSS MARGIN	4,085,069	4,512,772

OPERATING EXPENSES:		
Design, research and development	2,050,366	6,093,896
Administrative	1,064,552	807,658
Marketing	1,270,833	1,046,331
Prepaid investor relations	730,433	42,967
Total Operating Expenses	5,116,184	7,990,852
LOSS FROM OPERATIONS	(1,031,115)	(3,478,080)
OTHER INCOME (EXPENSE):		
Interest income, net	53,241	59,093
Other income (expense), net	1,686	(39,008)
Total other income	54,927	20,085
EQUITY IN LOSSES OF QDA AND WRITE-OFF OF RELATED ADVANCES	(4,631)	(70,895)
NET LOSS BEFORE TAXES	(980,819)	(3,528,890)
Provision for income taxes	-	(44,000)
NET LOSS	$ (980,819)	$ (3,572,890)
BASIC AND DILUTED EPS	$ (.02)	$ (.08)
BASIC WEIGHTED AVERAGE SHARES OUTSTANDING	53,679,465	46,564,041

SIMTEK CORPORATION

STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months En

	2001
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	$ (980,819)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Depreciation and amortization	340,854
Prepaid investor relations	730,433
Contributed services	-
Webgear purchase of incomplete research and development	-
Increase (decrease) in net change of reserve accounts	(2,250)
Deferred financing fees	-
Changes in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(627,214)
Inventory	(444,939)
Prepaid expenses and other	62,944
Increase (decrease) in:	
Accounts payable	(138,727)
Accrued expenses	(14,244)
Customer deposits	2,000
Taxes payable	-
Receipts from deferred revenue	15,000
Net cash provided by (used in) operating activities	(1,056,962)
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchase of equipment and furniture	(325,863)
Decrease to investment from related party	5,730
Payments on capital lease obligation	(35,100)
Decrease (increase) in restricted cash	-
Net cash used in investing activities	(355,233)
CASH FLOWS USED IN FINANCING ACTIVITIES:	
Exercise of stock options	13,076
Payments on notes payable	(18,747)
Purchase of stock from market	(12,504)
Cash infusion Simtek to QDI	(2,498)
Payments on line of credit	(84,050)
Distributions to stockholders	-
Stock issued for directors compensation	-
Net cash provided by (used in) financing activities	(104,723)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,516,918)
CASH AND CASH EQUIVALENTS, beginning of period	2,853,769
CASH AND CASH EQUIVALENTS, end of period	$ 1,336,851

SIMTEK CORPORATION

STATEMENTS OF CASH FLOWS
(Unaudited)
(Cont.)

SUPPLEMENTAL CASH FLOW INFORMATION:	
Conversion of debenture into shares of common stock, net of deferred financing costs related to the debenture.....	$ -
Equity investment in WebGear, Inc.....	$ -
Conversion of payable to ZMD into shares of common stock.....	$ -

SIMTEK CORPORATION
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements included herein are presented in accordance with the requirements of Form 10-QSB and consequently do not include all of the disclosures normally made in the registrant's annual Form 10-KSB filing. These financial statements should be read in conjunction with the financial statements and notes thereto included on page F-3 To F-23.

In the opinion of management, the unaudited financial statements reflect all adjustments of a normal recurring nature necessary to present a fair statement of the results of operations for the respective interim periods. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles. Results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year.

Recently Issued Accounting Pronouncements - On June 30, 2001, the FASB approved the issuance of SFAS No. 141, Business Combinations and SFAS No. 142, Goodwill and other Intangible Assets. SFAS 141 states that all business combinations should be accounted for using the purchase method of accounting; use of pooling-of-interest method is prohibited. Accounting for the excess of the fair value of net assets of cost (negative goodwill), will be allocated to certain assets first with any remaining excess recognized as an extraordinary gain. SFAS No. 141 is effective for business combination completed afer June 30, 2001. Adoption of SFAS No. 141 is not expected to have a material impact on the accounting for business acquisitions prior to July 1, 2001. SFAS No. 142 addresses the accounting for all purchased intangible assets but not the accounting for internally developed intangible assets. Goodwill will no longer be amortized and will be reviewed for impairment in accordance with SFAS No. 142. Goodwill will be tested annually and on an interim basis if an event or circumstance occurs between the annual tests that might reduce the fair value of

the reporting unit below its carrying value. SFAS No. 142 is effective for fiscal years beginning after December 31, 2001, with early adoption permitted under certain circumstances. Goodwill and intangible assets acquired in a transaction completed after June 30, 2001 but before SFAS No. 142 is initially applied will be accounted for in accordance with SFAS No. 142. Therefore amortization of goodwill acquired prior to July 1, 2001 will cease when the company elects to adopt SFAS No. 142.

In June 2001, the FASB also approved for issuance SFAS 143 "Asset Retirement Obligations." SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the timing of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that an asset retirement cost should be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. The Company will adopt the statement effective no later than January 1, 2003, as required. The transition adjustment resulting from the adoption of SFAS 143 will be reported as a cumulative effect of a change in accounting principle. The Company does not believe the adoption of this standard will have a material effect on the Company's financial statements.

In October 2001, the FASB also approved SFAS 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS 144 replaces SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. The new accounting model for long-lived assets to be disposed of

by sale applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. Statement 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. Therefore, discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. Statement 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The provisions of Statement 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001 and, generally, are to be applied prospectively. At this time, the Company does not believe adoption of this standard will have a material effect on the Company's financial statements.

2. LINE OF CREDIT:

In April 2001, Simtek Corporation ("Simtek" or the "Company") renewed its revolving line of credit for another year in the amount of $250,000.

3. GEOGRAPHIC CONCENTRATION:

Sales by location for the nine months ended September 30, 2001 and 2000

were as follows (as a percentage of sales):

	2001	2000
United States	49%	46%
Europe	13%	15%
Far East	29%	31%
All Others	9%	8%
	100%	100%

4. POOLING OF INTEREST:

On March 13, 2001, Simtek acquired 100% of the common stock of Q-DOT Group ("Q-DOT'). Q-DOT specializes in advanced technology, research, and development for data acquisition, signal processing, imaging and data communications. Shareholders of Q-DOT exchanged their shares in Q-DOT for shares in Simtek in a business combination that has been accounted for as a pooling of interests. The consolidated financial statements and the accompanying notes reflect Simtek's financial position and the results of operations as if Q-DOT was a wholly-owned subsidiary of Simtek since inception.

For the nine months ended September 30, 2001 and 2000 Q-DOT had revenue of $1,116,383 and $1,876,396, respectively and net losses of $243,615 and $55,091, respectively. The acquisition did not have a material impact on earnings (loss) per share for the nine months ended September 30, 2000. However, it did have a $.01 effect on the earnings (loss) per share for the nine months ended September 30, 2001.

5. ACCOUNTING FOR Q-DOT ACQUISITION:

Prior to March 13, 2001, Q-DOT had effective control over QDA due to an operating agreement and Q-DOT funded QDA. On March 13, 2001, the Company acquired Q-DOT, and ceased funding QDA. The Company does not intend to fund QDA in the future and is in the process of revising the operating agreement with QDA. However, until such time as the operating agreement is formally revised, the Company will continue to account for QDA under the equity method. During fiscal 2001, QDA has been inactive and the equity losses for the period ended September 30, 2001 are insignificant.

6. BUSINESS SEGMENTS

The Company has two reportable segments. One segment designs and produces semiconductor devices for sale into the semiconductor market. The second segment specializes in advanced technology research and development for data acquisition, signal processing, imaging and data communications that is supported by government and commercial contracts. Although both segments are managed as part of an integrated enterprise, they are reported herein in a manner consistent with the internal reports prepared for management.

Transactions between reportable segments are recorded at cost. Substantially all operating expenses are identified per each segment. Substantially all of the Company's assets are located in the United States of

America.

Description		Nine Months Ended September 30, 2001	2000
		>	
Net Sales:			
	Semiconductor Devices	$12,053,711	$ 9,220,772
	Government Contracts	1,116,383	1,876,396
	Total	$13,170,094	$11,097,168
Net Loss:			
	Semiconductor Devices	$ (737,204)	$(3,517,799)
	Government Contracts	(243,615)	(55,091)
	Total	$ (980,819)	$(3,572,890)

	September 30, 2001	September 30, 2000
Total Assets:		
Semiconductor Devices	$ 6,112,370	$ 7,582,345
Government Contracts	505,233	670,941
Total	$ 6,617,603	$ 8,253,286

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Exhibits

3.1	Amended and Restated Articles of Incorporation.(2)
3.2	Amended and Restated Articles of Incorporation November 1997.(7)
3.3	Bylaws.(2)
4.1	1987-I Employee Restricted Stock Plan.(1)
4.2	Form of Restricted Stock Agreement between the Company and Participating Employees.(1)
4.3	Form of Common Stock Certificate.(3)
4.4	Simtek Corporation 1991 Stock Option Plan.(4)
4.5	Form of Incentive Stock Option Agreement between the Company and Eligible Employees.(4)
4.6	1994 Non-Qualified Stock Option Plan.(5)
4.7	Amendment to the 1994 Non-Qualified Stock Option Plan.(6)
5.1	Opinion of Holme, Roberts & Owen, LLP(15)
10.1	Form of Non-Competition and Non-Solicitation Agreement between the Company and certain of its employees.(1)
10.2	Form of Employee Invention and Patent Agreement between the Company and certain of its employees.(1)
10.3	Product License Development and Support Agreement between

	Simtek Corporation and Zentrum Mikroelektronik Dresden dated June 1, 1994(5)
10.4	Cooperation Agreement between Simtek Corporation and Zentrum Mikroelektronik Dresden dated September 14, 1995(6)
10.5	Manufacturing Agreement between Chartered Semiconductor Manufacturing and Simtek Corporation dated September 16, 1992(6)
10.6	Employment agreement between the Simtek Corporation and Douglas M. Mitchell(8)
10.7	Share Exchange Agreement dated May 9, 2000 between Simtek Corporation and Hugh N. Chapman (9)
10.8	Share Exchange Agreement dated June 16, 2000 between Simtek Corporation and WebGear (9)
10.9	Share Exchange Agreement dated July 31, 2000 between Simtek Corporation and Jaskarn Johal and Kashmira S. Johal (10)
10.10	Asset Purchase Agreement between Simtek Corporation and WebGear (11)
10.11	Amendment to Asset Purchase Agreement between Simtek Corporation and WebGear (12)
10.12	Agreement and Plan of Merger among Simtek Corporation, Q-DOT Group, Inc. and Q-DOT, Inc. (13)
10.13	Employment Agreement between Simtek Corporation and Hugh N. Chapman(14)
23.1	Consent of Hein + Associates LLP
23.2	The consent of Holme Roberts & Owen LLP is included in Exhibit 5.1(15)

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* Previously Filed

(1) Incorporated by reference to the Company's Form S-1 Registration Statement (Reg. No. 33-37874) filed with the Commission on November 19, 1990.

(2) Incorporated by reference to the Company's Amendment No.1 to Form S-1 Registration Statement (Reg. No. 33-37874) filed with the Commission on February 4, 1991.

(3) Incorporated by reference to the Company's Amendment No.2 to Form S-1 Registration Statement (Reg. No. 33-37874) filed with the Commission on March 4, 1991.

(4) Incorporated by reference to the Company's Form S-1 Registration Statement (Reg. No. 33-46225) filed with the Commission on March 6, 1992.

(5) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on March 25, 1995

(6) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on March 27, 1996

(7) Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on March 24, 1998

(8) Incorporated by reference to the Company's Annual Report on Form 10-KSB filed with the Commission on March 12, 1999

(9) Incorporated by reference to the Form SB-2 Registration Statement (Reg. No. 333-40988) filed with the Commission on July 7, 2000

(10) Incorporated by reference to the Form 8-K filed with the Commission on August 14, 2000

(11) Incorporated by reference to the Form 8-K filed with the Commission on October 13, 2000

(12) Incorporated by reference to the Company's Amendment No. 2 to From SB-2

Registration Statement (Reg. No. 333-40988)

(13) Incorporated by reference to the Company's Form 8-K filed with the March 23, 2001

(14) Incorporated by reference to the Form SB-2 Registration Statement Amendment #3 (Reg. No. 333- 60492) filed with the Commission on September 4, 2001

(15) Incorporated by reference to the Form SB-2 Registration Statement Amendment #4 (Reg. No. 33- 60492) filed with the Commission on September 24, 2001

SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Colorado Springs, State of Colorado on December 16, 2001

Simtek Corporation,
a Colorado corporation

By: /s/ Douglas M. Mitchell

Douglas M. Mitchell
Chief Executive Officer and
President

In accordance with the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates stated.

SIGNATURE

/s/Douglas M. Mitchell

Douglas M. Mitchell
Director, Chief Executive Officer, President and
Chief Financial Officer (acting)
December 16, 2001

*

Robert H. Keeley
Director
December 16, 2001

*

John Heightley
Director
December 16, 2001

*

Klaus Wiemer
Director
December 16, 2001

/s/Kimberley Carothers

Kimberley Carothers
Controller (Principal Accounting Officer)
December 16, 2001

* By Douglas M. Mitchell, attorney in fact